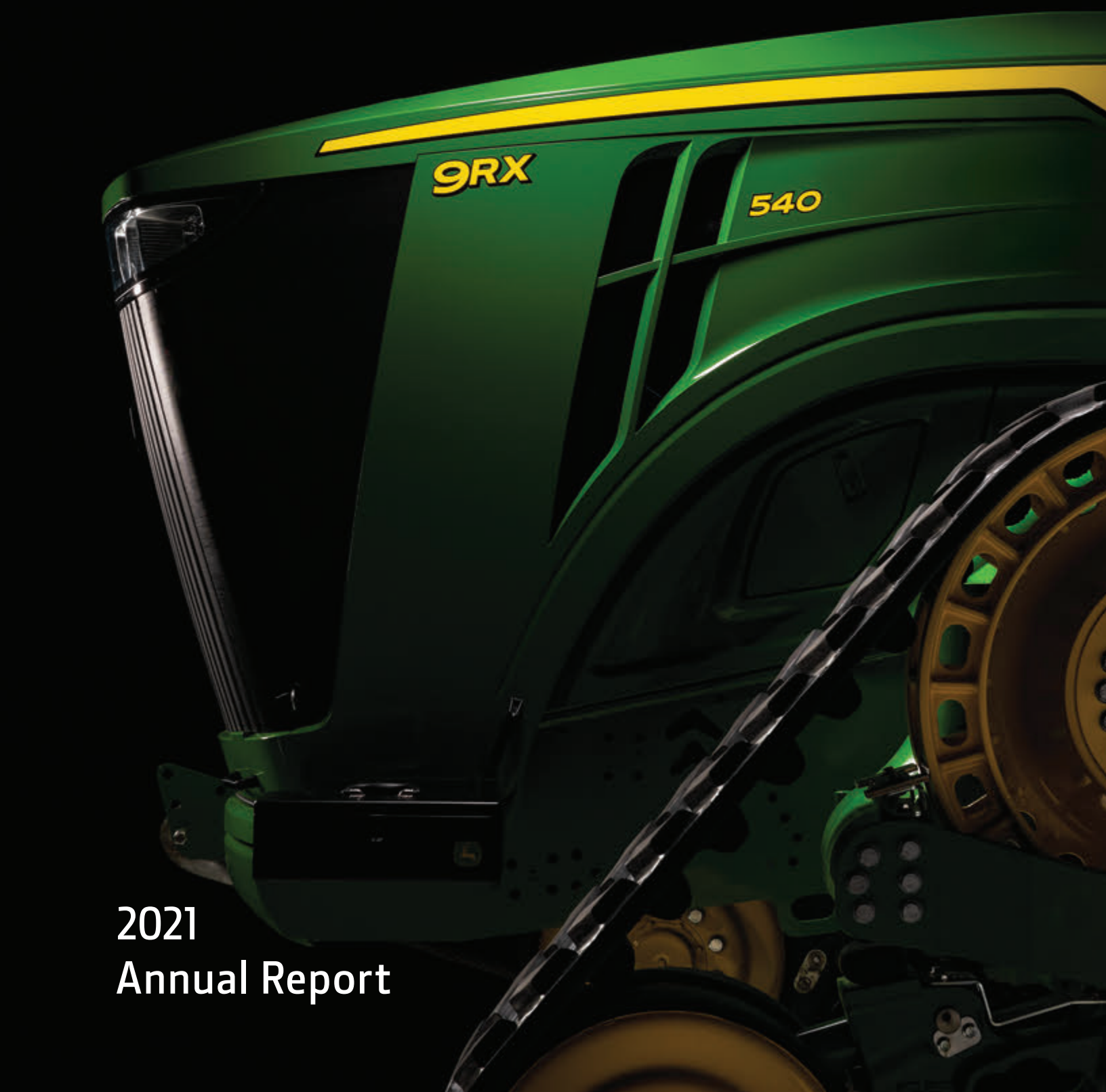
JOHN DEERE



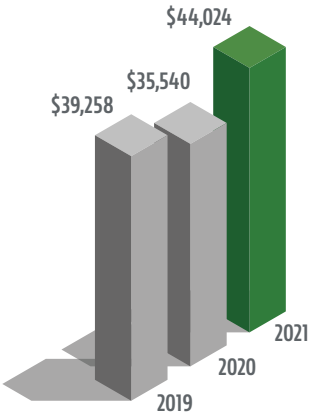
2021 Annual Report

John Deere delivered exceptional results in fiscal year 2021. Strong market conditions and healthy demand for our products drove higher sales and profits. Despite ongoing pandemic and supply chain challenges, our employees and dealers around the world kept each other safe, our factories open, and our customers running.

Net sales and revenues rose 24 percent to $44.02 billion. Net income for the year more than doubled to $5.96 billion. Deere also delivered outstanding returns to investors.

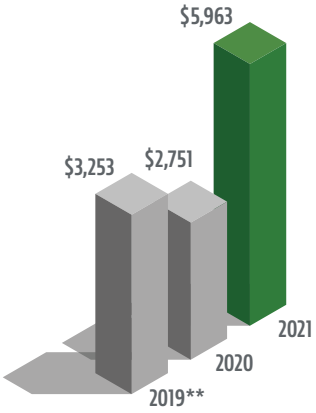
NET SALES & REVENUES

$44.02 BILLION



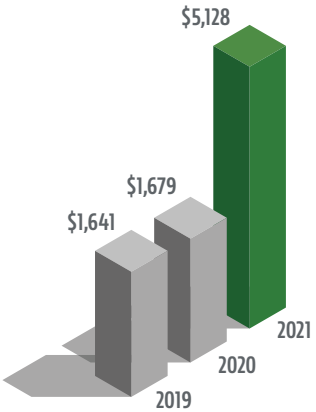
NET INCOME
(attributable to Deere & Company)

$5.96 BILLION



SHAREHOLDER VALUE ADDED*

$5.13 BILLION



The amounts shown in the charts above represent millions of dollars.

*SVA, referred to throughout this report, is a non-GAAP financial measure. See page 16, and related footnotes, for further details.

**Net income in 2019 was positively affected by $68 million due to discrete income tax adjustments related to U.S. tax reform.

On the cover:
9RX Tractors are the perfect combination of power, performance, and intelligence all wrapped up in a 4-track machine. With more engine horsepower (390 - 640hp) and efficient engine technology, these tractors help boost productivity.

Chairman and CEO John May

STRONG MARKETS, SOUND STRATEGY PACE RECORD YEAR

In any number of ways, 2021 was a year of dramatic achievement. It was a year in which John Deere reported outstanding financial results while facing major supply-chain issues and the lingering effects of a global pandemic.

Among our accomplishments, we kept our operations running, employees safe, and customers served. We added to our innovative product line by introducing new models featuring the latest technology and advanced features. The business model launched in 2020 yielded impressive results. And we made further investments to help our operations be more profitable, more focused, and more sustainable.

Demand for products of most types and sizes, across virtually all businesses and regions, was at its strongest level in many years. Sales and earnings were the highest in company history, and profitability in relation to sales was the best in modern times.

Net income for fiscal 2021 rose to $5.96 billion, versus $2.75 billion in the prior year. Net sales and revenues rose 24 percent to $44.02 billion. The company's financial performance allowed it to make further investments in advanced products, technologies, and growth-oriented projects. For the year, Deere devoted $2.5 billion to research and development and capital expenditures.

Additionally, $3.6 billion was returned to investors through dividends and share repurchases. The quarterly dividend rate on Deere stock was increased twice during the year by a total of 38 percent, while shareholders realized a total return of 53 percent on their investment.

Late in the year, Deere's UAW-represented employees went on strike, affecting operations at many U.S. factories. The five-week work stoppage was resolved with ratification of a contract that we believe serves the interests of all parties. Other operations, including all those outside the U.S., were not significantly affected and critical customer needs continued to be met.

Unless indicated otherwise, all capitalized names of products and services are trademarks or service marks of Deere & Company.

DIVISION PERFORMANCE MOVES HIGHER

A reflection of healthy markets and the broad appeal of John Deere products, sales for all three of our equipment divisions jumped by 27 percent.

Operating profit for our largest business – Production & Precision Agriculture – rose 69 percent to $3.33 billion. The division benefited from the success of new products such as large tractors, sprayers, and combines. Customers continued to respond positively to products featuring the latest in high-value precision technologies.

Profit for Small Agriculture & Turf more than doubled to $2.05 billion, also reflecting positive consumer sentiment and the success of new products. Notably, Small Ag & Turf had the highest return on assets of any Deere business.

Construction & Forestry operations established new highs in sales and profit, benefiting from vibrant markets for earthmoving, forestry, and roadbuilding equipment. Helping the division were higher sales of utility and production loaders, dump trucks, and compact equipment.

Deere's financial-services unit made a substantial contribution to company earnings with net income rising 56 percent to $881 million. Roughly half of the new equipment sold by our dealers in 2021 was financed by the company. Credit quality remained strong, and the loan and lease portfolio finished the year near $50 billion.

6R Series tractors have set standards for performance and precision ag technology. The new generation of 6R Series tractors features 14 models ranging from 110 to 250 hp.

The new CH9 Series sugar cane harvester boosts productivity by harvesting two rows of cane simultaneously.

SKILLFULLY MANAGING YEAR'S CHALLENGES

In the face of the ongoing threat of the coronavirus pandemic, Deere employees continued their efforts to make sure our factories and parts centers kept running and our dealers and customers got the products and services needed to maintain their operations. Within our facilities, we continued with the decisive steps initiated in 2020 to ensure healthful conditions. Many employees assigned to office locations continued working remotely.

Although a shortage of parts and components was a persistent issue, we worked closely with suppliers to keep our production lines moving and avoid widespread factory interruptions.

At the same time, our dealer channel remained operational and continued to serve customers, making wide use of our digital tools. Remote diagnostic sessions between customers and dealers increased more than 35 percent.

To ensure Deere remains an employer of choice, the company announced enhancements in compensation, benefits, and work arrangements taking effect in 2022 for salaried personnel. What's more, the collective-bargaining agreement approved by our UAW-represented employees is widely viewed as setting a new standard for wage roles in our industries.

STRATEGY MAKING IMPACT

Based on Deere's performance over the past year and momentum being built for the future, it's clear our smart industrial strategy is off to a strong start and working as designed. Not only has our company achieved higher profit and profitability based in large part on changes driven by the new strategy, we also gained customers and made further technological breakthroughs.

As the strategy's centerpiece, operations were reorganized by production systems rather than by discrete products and regions. This is helping us gain a richer understanding of how our customers work. We also combined our technology resources under a chief technology officer, adding speed and efficiency to the development of innovations and products. Our focus on lifecycle solutions led to higher parts sales – which increased to $7.8 billion – and is keeping customers connected with their

New 9500 and 9600 self-propelled forage harvesters feature a powerful HarvestMotion 18.0L engine that improves the harvesting process and forage quality.

New Z500 Series ZTrak mowers put a new spin on cutting grass. The mowers offer innovative roll-over protection and improved comfort and styling, as well as increased performance.

dealers. Further, by lowering structural costs, the smart industrial redesign process has had a major impact on profit margins, which shot to 17 percent (operating profit/net sales) last year.

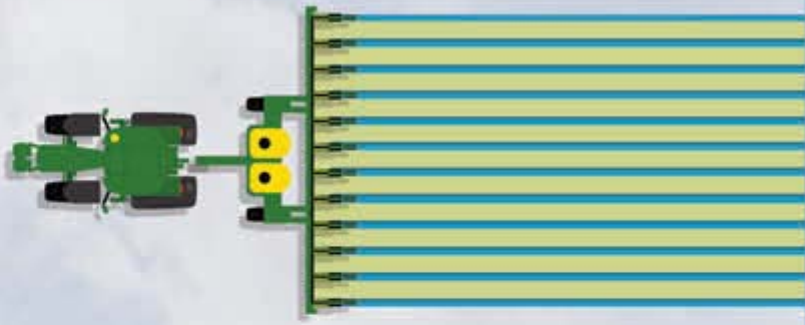
During the year, Deere made a number of investments in support of its strategy. Included was the purchase of a technology startup that specializes in adding autonomous features to existing machines and an investment in a new company dedicated to clean-engine technology. Deere also acquired a company whose advanced software helps farmers measure profit at the field level.

In another strategic action, the company announced the end of its 30-year joint venture with Hitachi for the manufacture of hydraulic excavators. As a result, Deere will take full ownership of factories in the U.S. (North Carolina), Brazil, and Canada. The move is expected to strengthen Deere's position in the excavator market and improve the financial performance of that part of our business.

In the coming year, the company plans to build on the smart industrial strategy by putting more focus on vehicle automation and autonomy, electrification, connectivity, and sustainability.

SETTING PACE IN INNOVATION

A Deere hallmark, product innovation made further strides in 2021 and earned additional recognition. A noted group of U.S. agricultural and biological engineers honored six products for their innovative design including our high-capacity X9 combine, new two-row sugar cane harvester, and an intelligent liquid-fertilizer system that cuts down on chemical use. In addition, the John Deere X9 combine was recognized in the robotics category at the 2021 Consumer Electronics Show and saluted for innovative design by two leading international design firms.



The new AutoPath precision ag application is helping farmers more accurately document and follow the right path throughout the season.

During the year, Deere introduced two new self-propelled forage harvesters, powered by a new 18-liter John Deere engine. Other products making their debut included a line of more productive, fuel-efficient cotton harvesters, updated midsize and four-wheel-drive tractors, and a series of zero-turn commercial mowers that highlighted the company's 25th anniversary of offering zero-turn products.

Precision agriculture made further strides as more customers embraced its productivity-enhancing benefits. Sales grew for popular features that guide machines in the field and plant seeds and apply chemicals with exceptional accuracy. The first sprayers using camera technology to distinguish weeds from fallow ground came to market, resulting in far

See & Spray Select advanced spraying technology changes the game in application with its introduction on R400 and 600 Series sprayers. This spraying technology helps farmers minimize input costs by spraying only weeds when they are detected, applying up to 70% less herbicide on average.

less herbicide consumption. The John Deere Operations Center gained further popularity with customers, ending the year with more than 300 million acres of production data worldwide.

During the year, precision-technology features were added to compact track loaders and excavators, allowing operators to complete jobs with greater speed and precision. Also, enhancements were made to the company's largest dozers that improve durability and performance. The Wirtgen roadbuilding unit launched new crushers.

RESPONSIBLE CITIZENSHIP A DEERE TRADITION

Wherever we operate, Deere is dedicated to sharing with others and being a responsible corporate citizen. Charitable contributions from the company and its foundation reached $42.5 million in 2021, a 16-percent increase over the prior year. Significant donations were made to groups that promote youth leadership and career success through agricultural education, strengthen support of black farmers, and expand sustainable agricultural practices in Brazil.

The Deere Foundation announced plans to invest $200 million over the next decade in initiatives supporting the company's values and higher purpose, with approximately half of that amount directed to families and youth in Deere's home communities. Deere typically supplements foundation giving and is committed to making charitable contributions equal to one percent of net income over time.

As in past years, Deere employees supported their communities through extensive volunteer efforts, logging some 124,000 volunteer hours in 2021, a slight increase over the prior year.

Several developments highlighted our commitment to a fairer, more equitable society and diversity and inclusion. Among them, Deere continued its support of the LEAP coalition, a group that primarily helps black farmers secure clear title to their land. LEAP has received wide public recognition and is one of the company's highest-profile efforts in support of racial equity. In another example, Deere issued $600 million of debt in a transaction managed by minority, female, and veteran-owned firms. It is believed to be only the second time a U.S. company has used diverse underwriters exclusively on a corporate bond sale.

Wirtgen Group machines deliver a complete end-to-end roadbuilding solution. As part of a paving "train," these machines – Wirtgen CR-series cold recycler, Vögele asphalt paver and Hamm roller – are capable of in-place cold recycling of road pavements in a single pass. This process cuts down on the amount of material used and transported, lowering CO^2 emissions, and contributes to reduced costs and construction times.

The 333 SmartGrade compact track loader is the first compact machine to feature fully integrated 3D grade-control technology. It touts more power and increased lift height, reach, stability, and breakout force — for more productivity and uptime, at a lower operating cost.

Deere earned further accolades in 2021 for its record of responsible citizenship. Fast Company magazine recognized Deere's work with small farmers with an award for corporate social responsibility. For a fourth time, Deere was honored for social innovation by the American Innovation Index Awards, which focuses on corporate activities and products benefiting society. Deere also appeared in prominent listings of best employers, won recognition for having one of the world's most valuable brands, and was cited for a 14th time for its commitment to advancing business integrity.

EMBRACING A PROMISING FUTURE

Looking ahead, we believe 2022 holds a great deal of promise. Agricultural fundamentals are positive, customer confidence is running high, and infrastructure spending is set to rise. These factors are fueling further optimism in the agricultural and construction sectors. Deere's performance also should benefit from a more efficient organizational structure and more-focused business lineup. At the same time, supply-chain pressures are expected to remain a challenge and the coronavirus is becoming a chronic issue.

All in all, my optimism about Deere's future has never burned brighter. We're part of a great company that does great things. Market conditions rarely have been better, and our product lineup has never been stronger. What's more, we have a winning formula in the smart industrial strategy. By taking our performance to new levels, it means great things for our customers, employees, investors, and others who have a stake in our well-being. And these benefits are likely to extend many years into the future.

As a final word, we pay tribute to our more than 75 000 employees and others throughout the world whose efforts made 2021 such a successful year. To them all, we express heartfelt thanks.

On behalf of the John Deere team,

Chairman & Chief Executive Officer
December 16, 2021

THE POWER OF ENGAGED ACRES

Customers utilize Deere's precision ag digital tools in record numbers

Brock Kent is navigating his Deere R4044 sprayer across the rows of field corn situated on the rolling hills of his northern Illinois farm.

He turns on the new AutoPath feature on his 4600 CommandCenter display that is connected to his John Deere Operations Center account, and the sprayer glides across the field, seamlessly following guidance lines created from a map of crop row lines generated at planting. The guidance lines help streamline all in-field passes such as spraying, nutrient application, and harvesting.

Like Kent, thousands of farmers around the world tapped into the benefits of John Deere's digital precision ag tools, like AutoPath, in 2021. During the year, customers engaged with a record 315 million acres globally using the Operations Center – Deere's digital farm-management tool.

Engaged acres is one of the foundational measures of customers' use of the Operations Center. It reflects the number of unique acres with at least one operation pass documented in the Operations Center in the past 12 months.

Customers who engage with the Operations Center can visualize the outcomes of their decisions and track progress over time. They can access information anytime, anywhere, and share it with advisors such as seed or fertilizer suppliers. This can lead to better decisions – and potentially more profitable, sustainable, and efficient production.

"What I'm most excited about is that while we've been working on our precision ag suite of products for well over 20 years, we're just scratching the surface of what is possible," says Deanna Kovar, Deere's vice president of Production and Precision Ag, about the company's goal of boosting customers' productivity through precision ag technologies.

"We continue to drive amazing value for our customers, our company, and the industry as we create a digital ag platform, connected to hundreds of thousands of machines, that helps farmers all over the world farm even better," Kovar adds.

During the year, customers engaged with a record **315 million acres** globally using the John Deere Operations Center – Deere's digital farm-management tool.

JOHN DEERE TODAY

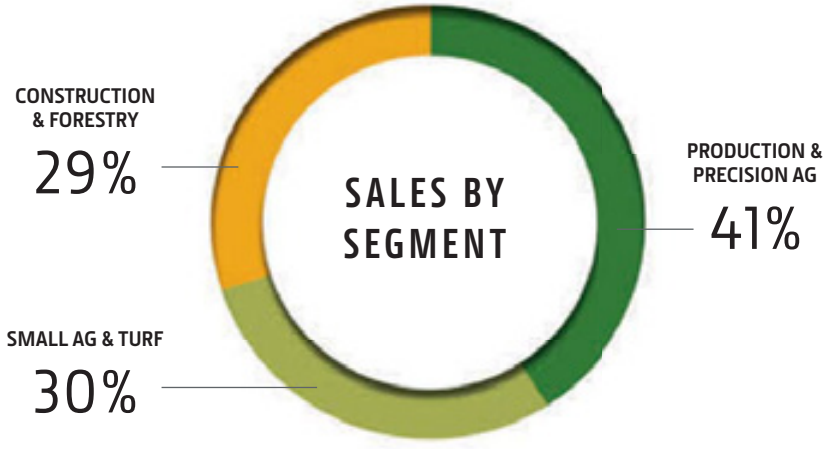
For more than 180 years, John Deere has led the way in developing innovative solutions to help our customers become more efficient and sustainable. Today, our team of 75,600 global employees use their creativity each day to solve some of the world's biggest problems.

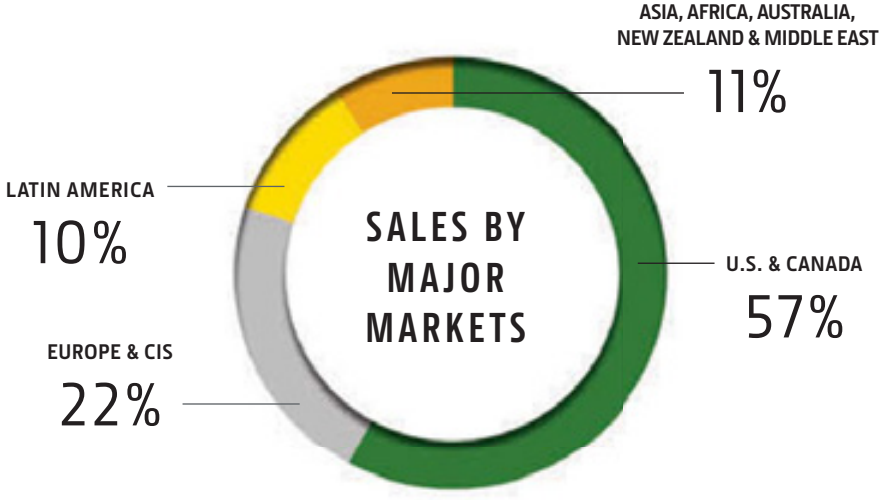
100+
LOCATIONS GLOBALLY

75,600
FULL-TIME EMPLOYEES

48%
CONSOLIDATED NET SALES AND REVENUES OUTSIDE THE UNITED STATES

#88
FORTUNE 100 COMPANIES





BOLD BUSINESS REQUIRES BOLD CITIZENSHIP

John Deere's legacy of developing innovative products and solutions for our customers is inextricably tied to the vitality of our local and global communities. To that end, we believe that a bold business strategy must work in cooperation with a bold citizenship strategy. By investing in our communities, we aim to help lives leap forward.

Further, the John Deere Foundation is committing at least $200 million over the next 10 years to advance the lives and livelihoods of three main groups of stakeholders:

SMALLHOLDER OR RESOURCE-CONSTRAINED FARMERS
We'll invest $50 million in smallholder farmers throughout the world to bolster their capacity to earn a living, feed a growing population, reduce inequality, and protect the world around us. The positive impact that farmers can make on the world around them is on full display in the foundation's project with PYXERA Global in Nigeria, Rayuwa. The project was selected for Fast Company's World Changing Ideas Award in the category of Social Responsibility in May 2021.

YOUTH AND FAMILY IN HOME COMMUNITIES
We'll invest another $100 million in the families and youth who live, work, and learn in John Deere's home communities to ensure inclusive and equitable access to resources and educational opportunities critical for human dignity and self-sufficiency. For example, in 2021, the foundation increased access to safe and affordable housing in Waterloo, Iowa, through a $2 million grant to Iowa Heartland Habitat for Humanity®. To address food insecurity, the foundation committed $1.7 million to River Bend Food Bank in the Quad-Cities area, the equivalent of 8.5 million meals.

OUR EMPLOYEES
Finally, we'll invest another $50 million in John Deere's extraordinary workforce to further mobilize and build on their enormous volunteer talents and generosity. We believe that by actively engaging in citizenship, our employees can strengthen their communities and improve lives around the world. In fact, in 2021, the foundation provided more than $4.7 million to match employee volunteerism and giving.

In 2021, the John Deere Foundation contributed nearly $20 million across all three groups of stakeholders to help life leap forward.

> John Deere and its foundation made **$42.5 million** in total civic investments in fiscal year 2021, up from **$36.7 million** in 2020.

BUSINESS HIGHLIGHTS

2021 AWARDS AND RECOGNITIONS

333G SMARTGRADE COMPACT TRACK LOADER
Heavy Equipment Guide magazine selects the 333G SmartGrade Compact Track Loader as part of its Top Introductions for construction equipment and technology innovations.

X9 COMBINE
The X9 Combine earns an innovation award (robotics category) from the 2021 Consumer Electronics Show. The X9 also receives design awards from the iF World Design Guide and Red Dot Design competitions.

WORLD'S MOST ETHICAL COMPANIES
Ethisphere Institute names Deere & Company one of the 2021 World's Most Ethical Companies. This honor is reserved for a select number of companies with a commitment to advancing business integrity.

MOST ADMIRED COMPANIES
Fortune magazine recognizes John Deere on its Most Admired Companies list as the #1 company in the category of Construction and Farm Machinery.

HONORING DIVERSE DIRECTORS
Two Deere board members and a company executive were listed in Savoy magazine's Most Influential Black Corporate Directors for 2021. Recognized were Deere directors Sheila Talton and Dmitri Stockton as well as Marc Howze, Deere's Group President, Lifecycle Solutions and Chief Administrative Officer.

SOCIAL RESPONSIBILITY AWARD
Deere is selected as a winner of Fast Company's World Changing Ideas Awards in the category of social responsibility for its work with Nigerian farmers through the Rayuwa project.

INVESTING IN TECHNOLOGY
Strategic investments include the purchase of Bear Flag Robotics, a technology startup that specializes in adding autonomous features to existing machines. Also, Deere invests in ClearFlame Engine Technologies, dedicated to the development of clean-engine technology, and acquires Harvest Profit, whose advanced software helps farmers measure profit at the field level.

AE50 AWARDS FOR INNOVATION
American Society of Agricultural and Biological Engineers (ASABE) recognizes Deere for innovation in engineering and technology with six awards for products, ranging from CH950 Cane Harvester to a new Folding Cornhead.

$5.96B
NET INCOME

Net income more than doubles to $5.96 billion, versus $2.75 in 2020.

$5.13B
SVA

Enterprise SVA increases 205% to $5.13 billion, up from $1.68 billion in 2020.*

$3.6B
DIVIDENDS & REPURCHASES

Company returns $3.6 billion to investors through dividends and share repurchases.

OPERATING PROFIT AND SHAREHOLDER VALUE ADDED (SVA)*

EQUIPMENT OPERATIONS	2021	2020	2019
Operating Profit	$6,868	$3,559	$3,721
SVA	$4,703	$1,606	$1,604

PRODUCTION & PRECISION AG	2021	2020	2019
Operating Profit	$3,334	$1,969	$1,729
SVA	$2,456	$1,140	$891

SMALL AG & TURF	2021	2020	2019
Operating Profit	$2,045	$1,000	$777
SVA	$1,559	$522	$261

CONSTRUCTION & FORESTRY	2021	2020	2019
Operating Profit	$1,489	$590	$1,215
SVA	$688	$(56)	$452

FINANCIAL SERVICES	2021	2020	2019
Operating Profit	$1,144	$746	$694
SVA	$425	$73	$37

The amounts shown above are presented in millions of dollars.

*SVA, referred to throughout this report, is a non-GAAP financial measure. See page 16 for details.

Deere leadership team shown at Deere & Company headquarters in Moline, Illinois.

From left: Cory J. Reed, Markwart von Pentz, Jahmy J. Hindman, John C. May, Marc A. Howze, John H. Stone, Ryan D. Campbell, Mary K.W. Jones, and Rajesh Kalathur

John C. May (24)
Chairman & Chief Executive Officer

Ryan D. Campbell (14)
Senior Vice President and Chief Financial Officer

Jahmy J. Hindman (25)
Chief Technology Officer

Marc A. Howze (20)
Group President, Lifecycle Solutions & Chief Administrative Officer

Mary K.W. Jones (24)
Senior Vice President, General Counsel and Worldwide Public Affairs

Rajesh Kalathur (25)
President, John Deere Financial, and Chief Information Officer

Cory J. Reed (23)
President, Worldwide Agriculture & Turf Division, Production & Precision Ag, Sales & Marketing Regions of the Americas and Australia

John H. Stone (18)
President, Worldwide Construction & Forestry and Power Systems

Markwart von Pentz (31)
President, Worldwide Agriculture & Turf Division, Small Ag & Turf, Sales & Marketing Regions of Europe, CIS, Asia and Africa

Titles and years of service (in parentheses) as of January 1, 2022

John C. May (2)
Chairman & Chief Executive Officer, Deere & Company

Leanne G. Caret (Effective Nov. 1, 2021)
Executive Vice President, The Boeing Company and President and Chief Executive Officer, Boeing Defense, Space & Security (since 2016)
Aircraft, defense, intelligence and satellite systems and services, and related financing

Tamara A. Erwin (1)
Executive Vice President and Group Chief Executive Officer, Verizon Business Group
Communications, information and entertainment products and services

Alan C. Heuberger (5)
Senior Investment Manager, Cascade Asset Management Company (formerly BMGI)
Private investment management

Charles O. Holliday, Jr. (12)
Retired Chairman and Chief Executive Officer, DuPont, and former Chairman, Royal Dutch Shell plc
Oil and natural gas exploration, refining, and product sales

Dipak C. Jain (19)
President (Europe), China Europe International Business School
International graduate business school

Michael O. Johanns (6)
Retired U.S. Senator from Nebraska and former U.S. Secretary of Agriculture

Clayton M. Jones (14)
Retired Chairman and Chief Executive Officer, Rockwell Collins, Inc.
Aviation electronics and communications

Gregory R. Page (8)
Chairman, Corteva, Inc.
Agricultural seeds, crop protection products, and digital solutions

Sherry M. Smith (10)
Former Executive Vice President and Chief Financial Officer, SuperValu Inc.
Retail and wholesale grocery and retail general merchandise products

Dmitri L. Stockton (6)
Retired Special Advisor to Chairman and Retired Senior Vice President, General Electric Company
Power and water, aviation, oil and gas, healthcare, appliances and lighting, energy management, transportation, and financial services
Former Chairman, President, and Chief Executive Officer, GE Asset Management Inc.
Global investments

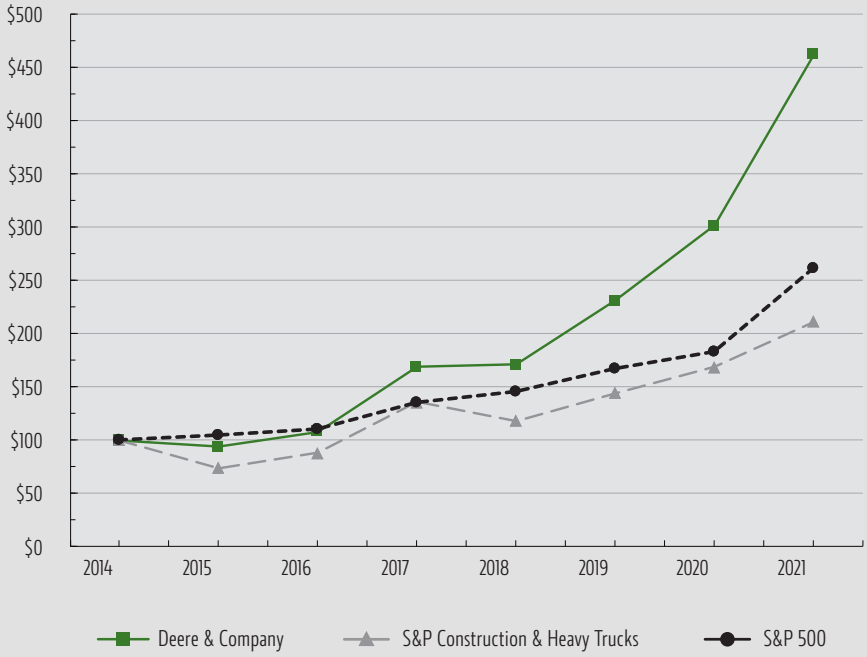
Sheila G. Talton (6)
President and Chief Executive Officer, Gray Matter Analytics
Healthcare analytics for healthcare providers, payers, and pharma companies

From left to right: Dipak C. Jain, Clayton M. Jones, Charles O. Holliday, Jr., Tamara A. Erwin, John C. May, Gregory R. Page, Sheila G. Talton, Leanne G. Caret, Alan C. Heuberger, Michael O. Johanns, Sherry M. Smith, Dmitri L. Stockton

Figures in parentheses represent complete years of board service through January 1, 2022.

7-YEAR CUMULATIVE TOTAL RETURN

Deere Compared to S&P 500 Index and S&P 500 Construction & Heavy Trucks Index



The graph compares the cumulative total returns of Deere & Company, the S&P 500 Construction & Heavy Trucks Index, and the S&P 500 Stock Index over a seven-year period. It assumes $100 was invested on October 31, 2014, and that dividends were reinvested. Deere & Company stock price at October 31, 2021, was $342.31. The Standard & Poor's 500 Construction & Heavy Trucks Index is made up of Caterpillar (CAT), Cummins (CMI), Paccar (PCAR), and Wabtec (WAB). The stock performance shown in the graph is not intended to forecast and does not necessarily indicate future price performance.

	2014	2015	2016	2017	2018	2019	2020	2021
Deere & Company	$100.00	$93.75	$107.92	$168.47	$171.08	$230.92	$301.63	$462.01
S&P 500 Con & Heavy Trucks	$100.00	$73.92	$87.82	$135.68	$118.22	$144.14	$168.81	$210.98
S&P 500	$100.00	$105.20	$109.94	$135.93	$145.91	$166.81	$183.01	$261.55

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SHAREHOLDER INFORMATION

ANNUAL MEETING

As part of our precautions regarding the coronavirus and to support the health and well-being of our shareholders, the 2022 Annual Meeting of Shareholders (the "Annual Meeting") will be held exclusively online on Wednesday, February 23, 2022, at 10 a.m. Central Standard Time. There will not be a physical location for the Annual Meeting, and you will not be able to attend the meeting in person. To be admitted to the Annual Meeting at www.virtualshareholdermeeting.com/DE2022, you must enter the 16-digit control number on your proxy card, voting instruction form, or Notice of Internet Availability.

TRANSFER AGENT & REGISTRAR

Send all correspondence, including address changes and certificates for transfer, as well as inquiries concerning lost, stolen, or destroyed stock certificates or dividend checks, to:

Deere & Company
c/o Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717

Phone toll-free: 800-268-7369 (inside U.S., U.S. territories, and Canada).
From outside the U.S., U.S. territories, and Canada, call: 720-399-2074
Hearing impaired: 855-627-5080
Email: shareholder@broadridge.com
www.shareholder.broadridge.com/DE

DIVIDEND REINVESTMENT & DIRECT PURCHASE PLAN

Investors may purchase initial Deere & Company shares and automatically reinvest dividends through the Broadridge Direct Stock Purchase Plan. Optional monthly cash investments may be made automatically through electronic debits.

For inquiries about existing reinvestment accounts, call 800-268-7369 or write to:

Deere & Company
Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717

SHAREHOLDER RELATIONS

Deere & Company welcomes your comments:

Deere & Company
Shareholder Relations Department
One John Deere Place
Moline, IL 61265-8098
Phone: (309) 765-4491 Fax: (309) 765-4663
www.JohnDeere.com/Investors

INVESTOR RELATIONS

Securities analysts, portfolio managers, and representatives of financial institutions may contact:

Deere Investor Relations
Deere & Company
One John Deere Place
Moline, IL 61265-8098
Phone: 309-765-4491
Email: DeereIR@JohnDeere.com
www.JohnDeere.com/Investors

STOCK EXCHANGES

Deere & Company common stock is listed on the New York Stock Exchange under the ticker symbol DE.

FORM 10-K

The Annual Report on Form 10-K filed with the Securities and Exchange Commission is available online or upon written request to Deere & Company Shareholder Relations.

AUDITORS

Deloitte & Touche LLP
Chicago, Illinois

SVA: FOCUSING ON GROWTH AND SUSTAINABLE PERFORMANCE

Shareholder Value Added (SVA) — essentially, the difference between operating profit and the pretax cost of capital — is a metric used by John Deere to evaluate business results and measure sustainable performance. To arrive at SVA, each equipment segment is assessed a pretax cost of assets — generally 12% of average identifiable operating assets with inventory at standard cost (believed to more closely approximate the current cost of inventory and the company's related investment). The financial services segment is assessed a cost of average equity — approximately 13% pretax. The amount of SVA is determined by deducting the asset or equity charge from operating profit.

Additional information on these metrics and their relationship to amounts presented in accordance with U.S. GAAP can be found at our website, www.JohnDeere.com/Investors. **Note:** Some totals may vary due to rounding.

To create and grow SVA, Deere equipment operations are targeting an operating return on average operating assets (OROA) of 30% at mid-cycle sales volumes and equally ambitious returns at other points in the cycle. (For purposes of this calculation, operating assets are average identifiable assets during the year with inventories valued at standard cost.)

EQUIPMENT OPERATIONS

Dollars in Millions	2021	2020
Net Sales	39737	31 272
Net Sales - excluding Roadbuilding		28 348
Average Identifiable Assets		
With Inventories at LIFO	16 680	16 593
With Inventories at LIFO - excluding Roadbuilding		12 599
With Inventories at Standard Cost	18 045	18 010
With Inventories at Standard Cost - excluding Roadbuilding		14 016
Operating Profit	6 868	3 559
Operating Profit - excluding Roadbuilding		3 289
Percent of Net Sales**	17%	12%
Operating Return on Assets**		
With Inventories at LIFO**	41%	26%
With Inventories at Standard Cost**	38%	24%
SVA Cost of Assets**	-2165	-1 683
SVA**	4 703	1606

SMALL AGRICULTURE & TURF

Dollars in Millions	2021	2020
Net Sales	11 860	9,363
Average Identifiable Assets		
With Inventories at LIFO	3 625	3 536
With Inventories at Standard Cost	4 047	3 979
Operating Profit	2 045	1 000
Percent of Net Sales	17%	11%
Operating Return on Assets		
With Inventories at LIFO	56%	28%
With Inventories at Standard Cost	51%	25%
SVA Cost of Assets	-486	-478
SVA	1,559	522

FINANCIAL SERVICES

Dollars in Millions	2021	2020
Net Income Attributable to Deere & Company	881	566
Average Equity	5 497	5 099
Return on Equity	16%	11%
Operating Profit	1144	746
Cost of Equity	-719	-673
SVA	425	73

Financial Services SVA is calculated on a pretax basis.

PRODUCTION & PRECISION AGRICULTURE

Dollars in Millions	2021	2020
Net Sales	16 509	12 962
Average Identifiable Assets		
With Inventories at LIFO	6 640	6 194
With Inventories at Standard Cost	7,321	6 901
Operating Profit	3 334	1 969
Percent of Net Sales	20%	15%
Operating Return on Assets		
With Inventories at LIFO	50%	32%
With Inventories at Standard Cost	46%	29%
SVA Cost of Assets	-878	-829
SVA	2 456	1,140

CONSTRUCTION & FORESTRY

Dollars in Millions	2021	2020
Net Sales	11,368	8 947
Net Sales - excluding Roadbuilding		6 023
Average Identifiable Assets		
With Inventories at LIFO	6 415	6 863
With Inventories at LIFO - excluding Roadbuilding		2 869
With Inventories at Standard Cost	6 677	7130
With Inventories at Standard Cost - excluding Roadbuilding		3 136
Operating Profit	1,489	590
Operating Profit - excluding Roadbuilding		320
Percent of Net Sales**	13%	5%
Operating Return on Assets**		
With Inventories at LIFO**	23%	11%
With Inventories at Standard Cost**	22%	10%
SVA Cost of Assets**	-801	-376
SVA**	688	-56

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* At the beginning of fiscal year 2021, the company reclassified goodwill from the equipment operations segments' identifiable assets to corporate assets. Operating return on assets (OROA) and SVA exclude the impact of goodwill. Prior period segment information has been recast for a consistent presentation.

** Beginning in fiscal year 2021, the results and assets related to the Wirtgen Group (Wirtgen/Roadbuilding) are included in the calculation of OROA and SVA. Due to integration efforts, the 2020 information did not include Wirtgen's results and assets. Prior period information was not recast for this change, which is consistent with the company's internal presentation.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to promote understanding of the financial condition and results of operations. The MD&A is provided as a supplement to, and should be read in conjunction with, the consolidated financial statements and the accompanying Notes to Consolidated Financial Statements (Part II, Item 8 of this Form 10-K).

RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2021, NOVEMBER 1, 2020, AND NOVEMBER 3, 2019

OVERVIEW

Organization

The company's equipment operations generate revenues and cash primarily from the sale of equipment to John Deere dealers and distributors. The equipment operations manufacture and distribute a full line of agricultural equipment; a variety of commercial and consumer equipment; and a broad range of equipment for construction, roadbuilding, and forestry. The company's financial services primarily provide credit services, which mainly finance sales and leases of equipment by John Deere dealers and trade receivables purchased from the equipment operations. In addition, financial services offers extended equipment warranties. The information in the following discussion is presented in a format that includes information grouped as consolidated, equipment operations, and financial services. The equipment operations represents the enterprise without financial services. The equipment operations includes the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services. The company also views its operations as consisting of two geographic areas: the U.S. and Canada, and outside the U.S. and Canada. The company's operating segments consist of production and precision agriculture, small agriculture and turf, construction and forestry, and financial services.

Trends and Economic Conditions

The company's production and precision agriculture equipment and small agriculture and turf equipment sales both increased 27 percent in 2021. Industry sales of large agricultural machinery in the U.S. and Canada for 2022 are forecasted to increase approximately 15 percent compared to 2021. Industry sales of small agricultural and turf equipment in the U.S. and Canada are expected to be flat in 2022. Industry sales of agricultural machinery in Europe are estimated to be about 5 percent higher. South American industry sales of tractors and combines are expected to be roughly 5 percent higher in 2022. Asia industry sales are forecasted to be nearly the same in 2022 as in 2021. The company's construction and forestry sales increased 27 percent in 2021. On an industry basis, North American construction equipment and compact construction equipment sales are both expected to be 5 to 10 percent higher in 2022. Global forestry industry sales are projected to increase 10 to 15 percent. The company's financial services operations for the full year 2022 are expected to experience slightly lower results due to a higher provision for credit losses, lower gains on operating lease residual values, and higher selling, general and administrative expenses. These factors are expected to be partially offset by income earned on a higher average portfolio.

Items of concern that could affect the company's results of operations and liquidity and capital resources include uncertainty of the effectiveness of governmental and private sector actions to address COVID, supply of critical parts and components, trade agreements, the uncertainty of the results of monetary and fiscal policies, the impact of elevated levels of sovereign and state debt, capital market disruptions, changes in demand and pricing for new and used equipment, geopolitical events, and the other items discussed in the "Safe Harbor Statement" below. Significant fluctuations in foreign currency exchange rates and volatility in the price of many commodities could also impact the company's results. The future financial effects of COVID continue to be unknown due to many factors. As a result of these uncertainties, predicting the company's forecasted financial performance is subject to many assumptions.

The UAW, the union representing the majority of the company's production and maintenance employees in the U.S., initiated a strike on October 14, 2021. This resulted in a work stoppage affecting employees at 14 U.S. facilities. The work stoppage continued through the approval of a new six-year collective bargaining agreement on November 17, 2021. The company's operations during the remainder of the fourth quarter were adversely affected by the work stoppage, which reduced production and shipments.

The company's 2021 full-year performance reflects strong end-market demand and the ability of the company's dedicated employees, dealers, and suppliers throughout the world, who have helped safely maintain operations, manage supply chain challenges, and continue to serve customers throughout the COVID pandemic. Demand for farm and construction equipment is expected to continue to benefit from positive fundamentals, including favorable crop prices, economic growth, and increased investment in infrastructure. While supply-chain pressures are expected to persist into at least the early part of fiscal year 2022, the company is working closely with key suppliers to secure the parts and components that customers need in order to deliver essential food and infrastructure more profitably and sustainably.

COVID Effects, Actions, and Recent Developments

During 2020 and to a lesser extent in 2021, the effects of COVID and the related actions of governments and other authorities to contain COVID have affected and continue to affect the company's operations, results, cash flows, and forecasts.

The U.S. government and many other governments in countries where the company operates have designated the company an essential critical infrastructure business. This designation allows the company to operate in support of its customers to the extent possible.

The company's first priority in addressing the effects of COVID continues to be the health, safety, and overall welfare of its

employees. The company effectively activated previously established business continuity plans and proactively implemented health and safety measures at its operations around the world.

The company broadened its supply base to minimize the impact of potential supply chain disruptions on its ability to meet customer demand. The company has experienced shortages of critical parts and components, which caused challenges and production disruptions. The company continues to monitor the situation and work closely with suppliers.

The company continued to work closely with customers in 2021 in connection with short-term payment relief on obligations owed to the company. Financing receivables and operating leases granted relief since the beginning of the pandemic that remained outstanding at October 31, 2021 represented about 3 percent and about 2 percent of the respective portfolio balances. The trade receivables granted relief that remained outstanding at October 31, 2021 were not material. Additional information is presented in Notes 13 and 25.

2021 COMPARED WITH 2020

CONSOLIDATED RESULTS

Deere & Company (In millions of dollars, except per share amounts)	2021	2020
Net sales and revenues	$ 44,024	$ 35,540
Net income attributable to Deere & Company	5,963	2,751
Diluted earnings per share	18.99	8.69

Net income in 2020 was negatively affected by impairment charges and employee-separation costs of $458 million after-tax (see Notes 4 and 5). In addition, net income in 2020 was less favorably affected by discrete adjustments to the provision for income taxes.

Equipment Operations (In millions of dollars)	2021	2020	% Change
Worldwide:			
Net sales	$ 39,737	$ 31,272	+27
Operating profit	6,868	3,559	+93
Net income	5,082	2,185	+133
Price realization			+6
Currency translation			+2
U.S. and Canada:			
Net sales	$ 22,476	$ 17,954	+25
Price realization			+5
Currency translation			+1
Outside U.S. and Canada:			
Net sales	$ 17,261	$ 13,318	+30
Price realization			+8
Currency translation			+4

The discussion on net sales and operating profit is included in the Business Segment and Geographic Area Results below.

A discussion of the cost of sales to net sales ratio and other significant statement of consolidated income changes follows:

Deere & Company (In millions of dollars)	2021	2020	% Change
Cost of sales to net sales	73.3%	75.7%	
Finance and interest income	$ 3,296	$ 3,450	-4
Other income	991	818	+21
Research and development expenses	1,587	1,644	-3
Selling, administrative and general expenses	3,383	3,477	-3
Interest expense	993	1,247	-20
Other operating expenses	1,343	1,612	-17

The cost of sales to net sales ratio decreased compared to 2020 mainly due to price realization and the impact of impairments and employee-separation expenses recorded in 2020 (see Note 5). Finance and interest income reduced slightly in 2021 due to lower average interest rates, largely offset by a higher average credit portfolio. Other income increased primarily due to operating lease disposition gains. Research and development expenses were lower in 2021 largely due to employee-separation expenses incurred in 2020 (see Note 5) and organizational efficiencies. Selling, administrative and general expenses decreased mostly due to employee-separation expenses recorded in 2020 (see Note 5) and a lower provision for credit losses, partially offset by higher incentive compensation. Interest expense decreased in 2021 due to lower average borrowing rates. Other operating expenses were lower compared to 2020 largely due to lower retirement benefit costs, reduced depreciation of equipment on operating leases, and the impact of operating lease impairments recorded in 2020 (see Note 5).

The company has several funded and unfunded defined benefit pension plans and other postretirement benefit (OPEB) plans, primarily health care and life insurance plans. The company's costs for these plans in 2021 were $197 million, compared with $341 million in 2020. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 5.9 percent in 2021 and 6.4 percent in 2020, or $876 million and $869 million, respectively. The actual return was a gain of $3,616 million in 2021 and $1,177 million in 2020. In 2022, the expected return is approximately 5.0 percent. The company's costs under these plans in 2022, including the pension expense related to the UAW contract ratification and the expected gain on the voluntary OPEB contribution (see Note 29), are expected to be consistent with 2021. See the discussion in "Critical Accounting Estimates" for more information about pension and OPEB benefit obligations.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

The following discussion relates to operating results by reportable segment and geographic area. Operating profit is income before corporate expenses, certain external interest expense, certain foreign exchange gains or losses, and income taxes. However, the financial services segment operating profit includes the effect of interest expense and foreign currency exchange gains or losses.

In fiscal year 2021, the company implemented a new operating model and reporting structure. With this change, the company's agriculture and turf operations were divided into two new segments: production and precision agriculture and small agriculture and turf.

The production and precision agriculture segment defines, develops, and delivers global equipment and technology solutions to unlock customer value for production-scale growers of large grains, small grains, cotton, and sugar. Main products include large and certain mid-size tractors, combines, cotton pickers, sugarcane harvesters and loaders, and soil preparation, seeding, application and crop care equipment.

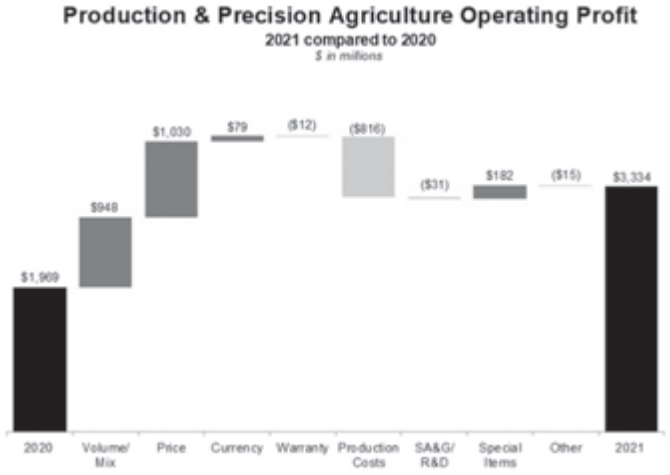
The small agriculture and turf segment defines, develops, and delivers global equipment and technology solutions to unlock customer value for dairy and livestock producers, high-value crop producers, and turf and utility customers. The segment's primary products include certain mid-size and small tractors, as well as hay and forage equipment, riding and commercial lawn equipment, golf course equipment, and utility vehicles.

There were no reporting changes for the construction and forestry and financial services segments. As a result, the company has four reportable segments.

Worldwide Production and Precision Agriculture Operations

(In millions of dollars)	2021	2020	% Change
Net sales	$ 16,509	$ 12,962	+27
Operating profit	3,334	1,969	+69
Operating margin	20.2%	15.2%	

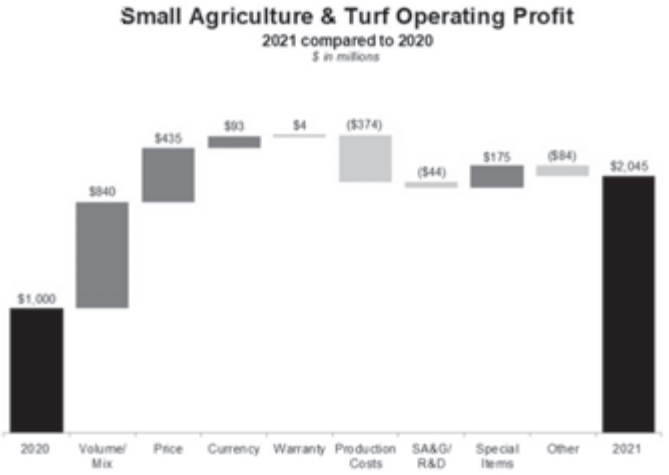
Segment sales increased due to higher shipment volumes and price realization. Operating profit benefitted from price realization, higher shipment volumes / sales mix, and a favorable indirect tax ruling in Brazil. These items were partially offset by higher production costs. The prior year was also impacted by employee-separation program expenses (see Note 5).



Worldwide Small Agriculture and Turf Operations

(In millions of dollars)	2021	2020	% Change
Net sales	$ 11,860	$ 9,363	+27
Operating profit	2,045	1,000	+105
Operating margin	17.2%	10.7%	

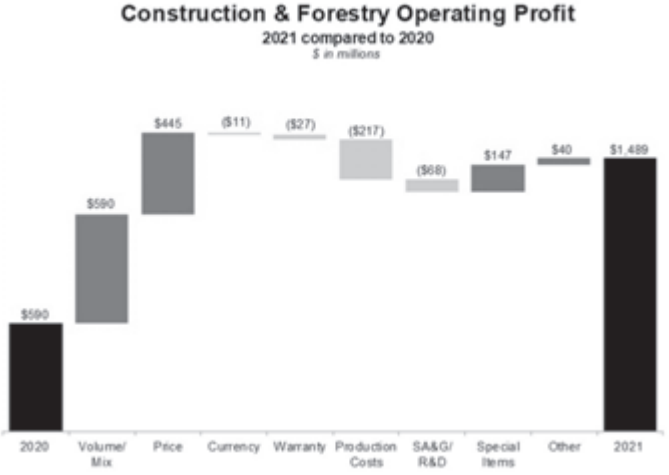
Segment sales and operating profit were both higher in 2021 due to higher shipment volumes / sales mix and price realization. The operating profit improvement was partially offset by higher production costs. Results for the current year were positively impacted by a gain on the sale of a factory in China, while results for the prior year were affected by impairments, closure costs, and employee-separation expenses (see Note 5).



Worldwide Construction and Forestry Operations

(In millions of dollars)	2021	2020	% Change
Net sales	$ 11,368	$ 8,947	+27
Operating profit	1,489	590	+152
Operating margin	13.1%	6.6%	

Segment sales increased in 2021 primarily due to higher shipment volumes and price realization. Operating profit increased mainly due to positive shipment volumes / sales mix and price realization, partially offset by higher production costs. The prior year was also impacted by employee-separation program expenses and impairments in certain fixed assets and unconsolidated affiliates (see Note 5).



Worldwide Financial Services Operations

(In millions of dollars)	2021	2020	% Change
Revenue (including intercompany)	$ 3,794	$ 3,867	-2
Interest expense	687	942	-27
Net income	881	566	+56

While the average balance of receivables and leases financed was 5 percent higher in 2021, revenue decreased due to lower average interest rates. Interest expense decreased in 2021 as a result of lower average borrowing rates. Net income in 2021 increased mainly due to an improvement on operating lease residual values, a lower provision for credit losses, more favorable financing spreads, and income earned on a higher average portfolio.

Deere & Company in U.S. and Canada

(In millions of dollars)	2021	2020	% Change
Net sales and revenues	$ 25,829	$ 21,386	+21
Operating profit	4,774	2,775	+72
Operating margin	18.5%	13.0%	

Net sales and revenues increased in 2021 due mostly to higher shipment volumes / sales mix and price realization. The growth in operating profit was due primarily to increased shipment volumes / sales mix and price realization, partially offset by higher production costs. Results in 2020 were negatively impacted by impairment charges and employee-separation expenses.

Deere & Company outside U.S. and Canada

(In millions of dollars)	2021	2020	% Change
Net sales and revenues	$ 18,195	$ 14,154	+29
Operating profit	3,238	1,530	+112
Operating margin	17.8%	10.8%	

The net sales and revenue increase in 2021 compared to 2020 was primarily the result of higher shipment volumes / sales mix, price realization, and the favorable effects of currency translation. Operating profit improvement was largely due to higher shipment volumes / sales mix and price realization, partially offset by increased production costs. Results in 2020 were negatively impacted by impairment charges and employee-separation costs.

2020 COMPARED WITH 2019

CONSOLIDATED RESULTS

Deere & Company

(In millions of dollars, except per share amounts)	2020	2019
Net sales and revenues	$ 35,540	$ 39,258
Net income attributable to Deere & Company	2,751	3,253
Diluted earnings per share	8.69	10.15

Net income in 2020 was negatively affected by impairment charges and employee-separation costs of $458 million after-tax (see Notes 4 and 5). In 2019, the similar charges were $82 million. In addition, the provision for income taxes was adversely affected by non-deductible impairments and charges in 2020 and less favorably affected by discrete adjustments in 2020 than in 2019.

Equipment Operations

(In millions of dollars)	2020	2019	% Change
Worldwide:			
Net sales	$ 31,272	$ 34,886	-10
Operating profit	3,559	3,721	-4
Net income	2,185	2,714	-19
Price realization			+3
Currency translation (unfavorable)			-2
U.S. and Canada:			
Net sales	$ 17,954	$ 20,264	-11
Price realization			+3
Outside U.S. and Canada:			
Net sales	$ 13,318	$ 14,622	-9
Price realization			+4
Currency translation (unfavorable)			-4

The discussion of net sales and operating profit is included in the following Business Segment and Geographic Area Results. The equipment operations' provision for income taxes and net income were adversely affected by non-deductible impairments and charges in 2020 and were less favorably affected by discrete adjustments to the provision for income taxes in 2020 than in 2019.

A discussion of the cost of sales to net sales ratio and other significant statement of consolidated income changes follows:

Deere & Company

(In millions of dollars)	2020	2019	% Change
Cost of sales to net sales	75.7%	76.8%	
Finance and interest income	$ 3,450	$ 3,493	-1
Other income	818	879	-7
Research and development expenses	1,644	1,783	-8
Selling, administrative and general expenses	3,477	3,551	-2
Interest expense	1,247	1,466	-15
Other operating expenses	1,612	1,578	+2

The cost of sales to net sales ratio decreased compared to 2019 mainly due to price realization, improved production costs, and lower warranty expenses, partially offset by impairments, employee-separation expenses (see Note 5), and the unfavorable

effects of foreign currency exchange. Finance and interest income decreased slightly in 2020 due to lower average interest rates, largely offset by a higher average credit portfolio. Other income declined primarily due to lower service income compared to 2019. Research and development expenses decreased compared to 2019 as a result of targeted project reductions related to COVID spending adjustments. Selling, administrative and general expenses decreased largely due to spending reductions and the favorable effects of currency translation, mostly offset by employee-separation expenses (see Note 5) and an increase in the provision for credit losses. Interest expense decreased in 2020 due to lower average borrowing rates, partially offset by higher average borrowings. Other operating expenses increased compared to 2019 largely due to increased depreciation of equipment on operating leases, employee-separation expenses (see Note 5), and a loss on sale of a business (see Note 4). These items were mostly offset by lower impairments and reduced losses on operating lease residual values and reduced service related expenses.

The company has several funded and unfunded defined benefit pension plans and OPEB plans, primarily health care and life insurance plans. The company's costs for these plans in 2020 were $341 million, compared with $235 million in 2019. The returns on plan assets were gains of $1,177 million in 2020 and $2,163 million in 2019. Total company contributions to the plans were $951 million in 2020 and $518 million in 2019, which included voluntary contributions and direct benefit payments. The voluntary contributions to plan assets were $700 million in 2020 to a U.S. OPEB plan, and $306 million in 2019, which included $300 million to the same U.S. OPEB plan.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

Worldwide Production and Precision Agriculture Operations

(In millions of dollars)	2020	2019	% Change
Net sales	$ 12,962	$ 13,364	-3
Operating profit	1,969	1,729	+14
Operating margin	15.2%	12.9%	

Segment sales decreased due to lower shipment volumes and the unfavorable effects of currency translation, partially offset by price realization. Operating profit increased largely due to price realization, lower research and development expense, reduced selling, administrative and general expenses, and lower warranty expenses. These items were partially offset by lower shipment volumes / mix, the unfavorable effects of currency exchange, and employee-separation expenses.

Worldwide Small Agriculture and Turf Operations

(In millions of dollars)	2020	2019	% Change
Net sales	$ 9,363	$ 10,302	-9
Operating profit	1,000	777	+29
Operating margin	10.7%	7.5%	

Segment sales decreased due to lower shipment volumes, partially offset by price realization. Operating profit improved due to price realization, favorable production costs, lower selling, administrative and general expenses, reduced research and development expense, and lower warranty expense, partially offset by lower shipment volumes / mix, employee-separation expenses and impairments.

Worldwide Construction and Forestry Operations

(In millions of dollars)	2020	2019	% Change
Net sales	$ 8,947	$ 11,220	-20
Operating profit	590	1,215	-51
Operating margin	6.6%	10.8%	

Segment sales decreased in 2020 primarily due to lower shipment volumes and the unfavorable effect of currency translation, partially offset by price realization. Operating profit declined mainly due to lower shipment volumes / mix, employee-separation expenses, impairments, and the unfavorable effects of currency exchange. The reduction in operating profit was partially offset by price realization, lower research and development expenses, reduced selling, administrative and general expenses, and improved production costs.

Worldwide Financial Services Operations

(In millions of dollars)	2020	2019	% Change
Revenue (including intercompany)	$ 3,867	$ 3,969	-3
Interest expense	942	1,234	-24
Net income	566	539	+5

While the average balance of receivables and leases financed was 2 percent higher in 2020, revenue decreased due to lower average interest rates. Interest expense decreased in 2020 as a result of lower average borrowing rates, partially offset by higher average borrowings. Net income in 2020 increased mainly due to lower impairments and reduced losses on operating lease residual values and income earned on a higher average portfolio, partially offset by a higher provision for credit losses, employee-separation expenses, and unfavorable financing spreads.

Deere & Company in U.S. and Canada

(In millions of dollars)	2020	2019	% Change
Net sales and revenues	$ 21,386	$ 23,746	-10
Operating profit	2,775	2,841	-2
Operating margin	13.0%	12.0%	

Net sales and revenues decreased in 2020 due primarily to lower shipment volumes, partially offset by price realization. The reduction in operating profit was due primarily to lower shipment volumes / mix and employee-separation expenses, partially offset by price realization, lower research and development costs, reduced selling, general and administrative expenses, improved production costs, and lower warranty expenses.

Deere & Company outside U.S. and Canada

(In millions of dollars)	2020	2019	% Change
Net sales and revenues	$ 14,154	$ 15,512	-9
Operating profit	1,530	1,574	-3
Operating margin	10.8%	10.1%	

The net sales and revenues decrease in 2020 compared to 2019 was primarily the result of lower shipment volumes and the

unfavorable effects of currency translation, partially offset by price realization. Operating profit declined primarily due to lower shipment volumes / mix, impairments, employee-separation expenses, and the unfavorable effects of currency exchange, largely offset by price realization, reduced selling, general and administrative expenses, lower research and development costs, improved production costs, and lower warranty expenses.

CAPITAL RESOURCES AND LIQUIDITY

The discussion of capital resources and liquidity has been organized to review separately, where appropriate, the company's consolidated totals, equipment operations, and financial services operations.

CONSOLIDATED

Positive cash flows from consolidated operating activities in 2021 were $7,726 million. This resulted primarily from net income adjusted for non-cash provisions, an increase in accounts payable and accrued expenses, and a decrease in receivables related to sales, which were partially offset by an increase in inventories. Cash outflows from investing activities were $5,750 million in 2021, due mainly to the cost of receivables (excluding receivables related to sales) and cost of equipment on operating leases acquired exceeding the collections of receivables and the proceeds from sales of equipment on operating leases by $4,332 million, purchases of property and equipment of $848 million, a change in collateral on derivatives – net of $281 million, and acquisition of businesses, net of cash acquired, of $244 million (see Note 4). Cash outflows from financing activities were $1,078 million in 2021, due primarily to repurchases of common stock of $2,538 million and dividends paid of $1,040 million, partially offset by an increase in borrowings of $2,450 million and proceeds from the issuance of common stock (resulting from the exercise of stock options) of $148 million. Cash, cash equivalents, and restricted cash increased $953 million during 2021.

Over the last three years, operating activities have provided an aggregate of $18,621 million in cash. Cash inflows were also provided by increases in borrowings of $5,621 million. The aggregate amount of these cash inflows was used mainly to acquire receivables (excluding receivables related to sales) and equipment on operating leases that exceeded collections of receivables and the proceeds from sales of equipment on operating leases by $9,817 million, repurchase common stock of $4,541 million, pay dividends of $2,939 million, and purchase property and equipment of $2,788 million. Cash, cash equivalents, and restricted cash increased $4,110 million over the three-year period.

The company has access to most global capital markets at reasonable costs and expects to have sufficient sources of global funding and liquidity to meet its funding needs in the short term and long term. Sources of liquidity for the company include cash and cash equivalents, marketable securities, funds from operations, the issuance of commercial paper and term debt, the securitization of retail notes (both public and private markets), and committed and uncommitted bank lines of credit. The company's commercial paper outstanding at October 31, 2021 and November 1, 2020 was $2,230 million and $1,238 million, respectively, while the total cash and cash equivalents and marketable securities position was $8,745 million and $7,707 million, respectively. The amount of the total cash and cash equivalents and marketable securities held by foreign subsidiaries was $5,817 million at October 31, 2021 and $5,010 million at November 1, 2020. During November 2021, the company's foreign subsidiaries returned $3,500 million of cash and cash equivalents to the U.S.

Lines of Credit. The company also has access to bank lines of credit with various banks throughout the world. Worldwide lines of credit totaled $8,336 million at October 31, 2021, $5,770 million of which were unused. For the purpose of computing the unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were considered to constitute utilization. Included in the total credit lines at October 31, 2021 was a 364-day credit facility agreement of $3,000 million, expiring in fiscal April 2022. In addition, total credit lines included long-term credit facility agreements of $2,500 million, expiring in fiscal April 2025, and $2,500 million, expiring in fiscal March 2026. The agreements are mutually extendable and the annual facility fees are not significant. These credit agreements require John Deere Capital Corporation (Capital Corporation) to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the equipment operations to maintain a ratio of total debt to total capital (total debt and stockholders' equity excluding accumulated other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company's excess equity capacity and retained earnings balance free of restriction at October 31, 2021 was $15,388 million. Alternatively under this provision, the equipment operations had the capacity to incur additional debt of $28,579 million at October 31, 2021. All of these credit agreement requirements have been met during the periods included in the consolidated financial statements.

Debt Ratings. To access public debt capital markets, the company relies on credit rating agencies to assign short-term and long-term credit ratings to the company's securities as an indicator of credit quality for fixed income investors. A security rating is not a recommendation by the rating agency to buy, sell, or hold company securities. A credit rating agency may change or withdraw company ratings based on its assessment of the company's current and future ability to meet interest and principal repayment obligations. Each agency's rating should be evaluated independently of any other rating. Lower credit ratings generally result in higher borrowing costs, including costs of derivative transactions, and reduced access to debt capital markets.

The senior long-term and short-term debt ratings and outlook currently assigned to unsecured company securities by the rating agencies engaged by the company are as follows:

	Senior Long-Term	Short-Term	Outlook
Fitch Ratings	A	F1	Stable
Moody's Investors Service, Inc.	A2	Prime-1	Stable
Standard & Poor's	A	A-1	Stable

Trade Accounts and Notes Receivable. Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. Trade receivables increased by $37 million in 2021. The ratio of trade accounts and notes receivable at October 31, 2021 and November 1, 2020 to fiscal year net sales was 11 and 13 percent, respectively. Total worldwide production and precision agriculture receivables decreased $193 million, worldwide small agriculture and turf receivables increased $199 million, and construction and forestry receivables increased $31 million. The collection period for trade receivables averages less than 12 months. The percentage of trade receivables outstanding for a period exceeding 12 months was 1 percent at October 31, 2021 and 3 percent at November 1, 2020.

Deere & Company Stockholders' Equity. Deere & Company stockholders' equity was $18,431 million at October 31, 2021, compared with $12,937 million at November 1, 2020. The increase of $5,494 million resulted from net income attributable to Deere & Company of $5,963 million, a change in the retirement benefits adjustment of $2,884 million, an increase in common stock of $159 million, and a change in the cumulative translation adjustment of $118 million, which was partially offset by an increase in treasury stock of $2,468 million and dividends declared of $1,125 million.

Contractual Obligations and Cash Requirements. The company's material cash requirements include the following contractual and other obligations:

Borrowings – As of October 31, 2021, the equipment operations had $1,497 million of payments due on borrowings and securitization borrowings in the next year, along with interest payments of $329 million. As of the same date, the financial services operations had $11,959 million of payments due on borrowings and securitization borrowings in the next year, along with interest payments of $574 million. The securitization borrowing payments are based on the expected liquidation of the retail notes, as well as the repurchases due to the reduced facility capacity (see Note 29). The financial services borrowings will likely be replaced with new borrowings to finance their receivable and lease portfolios.

Purchase Obligations – As of October 31, 2021, the company's outstanding purchase obligations were $4,314 million, with $4,190 million payable within one year. These purchase obligations are noncancelable.

Other Cash Requirements – In addition to its contractual obligations, the company's quarterly cash dividend is $1.05 per share, subject to change at the discretion of the company's Board of Directors. Total company pension and OPEB contributions in 2022 are expected to be approximately $1,250 million. Fiscal year 2022 contributions include a voluntary U.S. OPEB plan contribution of $1,000 million made on November 30, 2021 (see Note 29). Also anticipated in 2022 is the dissolution of the joint venture agreement between the company and Hitachi. In connection with the termination, the company will purchase all of Hitachi's shares in the relevant joint venture manufacturing entities and receive certain intellectual property rights. The initial cash consideration consists of $275 million for the shares and an intellectual property license (see Notes 1, 4, and 11). The company will consider share repurchases as a means of deploying excess cash to shareholders once the previously mentioned requirements are met.

EQUIPMENT OPERATIONS

The company's equipment businesses are capital intensive and are subject to seasonal variations in financing requirements for inventories and certain receivables from dealers. The equipment operations sell a significant portion of their trade receivables to financial services. To the extent necessary, funds provided from operations are supplemented by external financing sources.

Cash provided by operating activities of the equipment operations during 2021, including intercompany cash flows, was $5,900 million due largely to net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, partially offset by an increase in inventories and an increase in trade, notes, and financing receivables related to sales.

Over the last three years, these operating activities, including intercompany cash flows, have provided an aggregate of $13,860 million in cash.

Trade receivables held by the equipment operations increased by $142 million during 2021. The equipment operations sell a significant portion of their trade receivables to financial services (see previous consolidated discussion).

Inventories increased by $1,782 million in 2021 due primarily to increased production schedules. A majority of these inventories are valued on the last-in, first-out (LIFO) method. The ratios of inventories on a first-in, first-out (FIFO) basis (see Note 15), which approximates current cost, to fiscal year cost of sales were 31 percent and 28 percent at October 31, 2021 and November 1, 2020, respectively.

Total interest-bearing debt, excluding finance lease liabilities, of the equipment operations was $10,373 million at the end of 2021, compared with $10,382 million at the end of 2020 and $6,446 million at the end of 2019. The ratio of total debt to total capital (total interest-bearing debt and Deere & Company stockholders' equity) at the end of 2021, 2020, and 2019 was 36 percent, 45 percent, and 36 percent, respectively.

In 2020, the equipment operations issued three tranches of notes in the U.S. with aggregate principal totaling $2,250 million that are due from 2025 to 2050. The equipment operations also issued Euro notes with aggregate principal totaling €2,000 million (approximately $2,170 million based on the exchange rate at the issue date) that are due from 2024 to 2032 (see Note 20). In 2020, the equipment operations issued commercial paper in the U.S. with aggregate

principal totaling $466 million, of which $448 million had an original term greater than 90 days. This commercial paper was repaid in 2020 and is presented in "Increase (decrease) in total short-term borrowings" in the statement of consolidated cash flows.

Property and equipment cash expenditures for the equipment operations in 2021 were $845 million, compared with $816 million in 2020. Capital expenditures in 2022 are estimated to be $1,175 million.

FINANCIAL SERVICES

The financial services operations rely on their ability to raise substantial amounts of funds to finance their receivable and lease portfolios. Their primary sources of funds for this purpose are a combination of commercial paper, term debt, securitization of retail notes, equity capital, and borrowings from Deere & Company.

The cash provided by operating and financing activities was used primarily to increase receivables and leases. Cash flows from the financial services' operating activities, including intercompany cash flows, were $1,965 million in 2021. Cash used for investing activities totaled $4,308 million in 2021 due primarily to the cost of receivables (excluding trade and wholesale) and cost of equipment on operating leases acquired exceeding collections of these receivables and the proceeds from sales of equipment on operating leases by $5,311 million, a change in collateral on derivatives – net of $274 million, and purchases of marketable securities exceeding proceeds from maturities and sales by $89 million. Partially offsetting the use of cash was a decrease in trade receivables and wholesale notes of $1,364 million. Cash provided by financing activities totaled $2,238 million in 2021, resulting primarily from an increase in external borrowings of $2,468 million, an increase in borrowings from Deere & Company of $354 million, partially offset by dividends paid to Deere & Company of $555 million. Cash, cash equivalents, and restricted cash decreased $91 million.

Over the last three years, the operating activities, including intercompany cash flows, have provided $6,359 million in cash. In addition, an increase in total borrowings of $5,476 million, a decrease in trade and wholesale receivables of $2,428 million, and a change in collateral on derivatives – net of $59 million provided cash inflows. These amounts have been used mainly to fund receivables (excluding trade and wholesale) and equipment on operating lease acquisitions, which exceeded collections and the proceeds from sales of equipment on operating leases, by $12,454 million, pay dividends to Deere & Company of $1,368 million, and purchase $182 million of marketable securities in excess of maturities and sales. Cash, cash equivalents, and restricted cash increased $112 million over the three-year period.

Trade and financing receivables and equipment on operating leases increased by $3,401 million in 2021, compared with 2020. Total acquisition volumes of receivables (excluding trade and wholesale) and cost of equipment on operating leases increased 16 percent in 2021, compared with 2020. The volume of finance leases, retail notes, and revolving charge accounts increased 33 percent, 26 percent, and 1 percent, respectively. The volume of operating leases decreased 2 percent. During 2021, the wholesale notes and trade receivables portfolios decreased 26 percent and 7 percent, respectively.

Total external interest-bearing debt of the financial services operations was $37,978 million at the end of 2021, compared with $35,556 million at the end of 2020 and $38,888 million at the end of 2019. Total external borrowings have changed generally corresponding with the level of the receivable and lease portfolio, the level of cash and cash equivalents, the change in payables owed to Deere & Company, and the change in investment from Deere & Company. The financial services operations' ratio of total interest-bearing debt to total stockholder's equity was 7.8 to 1 at the end of 2021, 7.8 to 1 at the end of 2020, and 8.0 to 1 at the end of 2019.

The Capital Corporation has a revolving credit agreement to utilize bank conduit facilities to securitize retail notes (see Note 14). At October 31, 2021, the revolving credit agreement had a total capacity, or "financing limit," of up to $2,000 million of secured financings at any time. At October 31, 2021, $1,572 million of short-term securitization borrowings were outstanding under the agreement. At the end of the contractual revolving period, unless the banks and Capital Corporation agree to renew, Capital Corporation would liquidate the secured borrowings over time as payments on the retail notes are collected. The agreement was renewed in November 2021 with an expiration in November 2022 and a capacity of $1,000 million. As a result of the reduced capacity, $511 million of outstanding short-term securitization borrowings were repurchased by the company in November 2021, in addition to the normal monthly collection of payments on the retail notes.

During 2021, the financial services operations issued $2,801 million and retired $2,861 million of retail note securitization borrowings, which are presented in "Increase (decrease) in total short-term borrowings" on the statement of consolidated cash flows. The financial services operations also issued $8,711 million and retired $6,996 million of long-term borrowings in 2021, which were primarily medium-term notes.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the company's consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses. Changes in these estimates and assumptions could have a significant effect on the financial statements. The accounting policies below are those management believes are the most critical to the preparation of the company's financial statements and require the most difficult, subjective, or complex judgments. The company's other accounting policies are described in the Notes to the Consolidated Financial Statements.

Sales Incentives

In certain markets, the company provides sales incentives to dealers. At the time a sale to a dealer is recognized, the company records an estimate of the future sales incentive costs as a reduction to the sales price. These incentives may be based on a

dealer's purchase volume, or on retail sales incentive programs for allowances and financing programs that will be due when the dealer sells the equipment to a retail customer. The estimated cost of these programs is based on historical data, announced and expected incentive programs, field inventory levels, and forecasted sales volumes. The final cost of these programs is determined at the end of the measurement period for volume-based incentives or when the dealer sells the equipment to the retail customer. This is due to numerous programs available at any particular time and new programs that may be announced after the company records the equipment sale. Changes in the mix and types of programs affect these estimates, which are reviewed quarterly.

The sales incentive accruals at October 31, 2021, November 1, 2020, and November 3, 2019 were $1,680 million, $1,718 million, and $2,033 million, respectively. The total accruals recorded were $880 million, $1,109 million, and $1,443 million in trade accounts and notes receivable – net, and $800 million, $609 million, and $590 million in accounts payable and accrued expenses at October 31, 2021, November 1, 2020, and November 3, 2019, respectively. The decrease in 2021 primarily resulted from higher retail demand and the decrease in 2020 primarily related to lower sales volume.

The estimation of the retail sales incentive accrual is impacted by many assumptions. One of the key assumptions is the predictive value of the historical percent of retail sales incentive costs to retail sales from dealers. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .5 percent, compared to the average retail sales incentive costs to retail sales percent during that period. Holding other assumptions constant, if this estimated retail incentive cost experience percent were to increase or decrease .5 percent, the sales incentive accrual at October 31, 2021 would increase or decrease by approximately $31 million.

Product Warranties

For most equipment and parts sales, the company provides a standard warranty to provide assurance that the equipment will function as intended for a specified period of time. At the time a sale is recognized, the company records the estimated future warranty costs. The company generally determines its total warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The historical claims rate is primarily determined by a review of five-year claims costs and consideration of current quality developments. Variances in claims experience and the type of warranty programs affect these estimates, which are reviewed quarterly.

The product warranty accruals, excluding extended warranty unamortized premiums, at October 31, 2021, November 1, 2020, and November 3, 2019 were $1,312 million, $1,105 million, and $1,218 million, respectively. The increase in 2021 primarily related to higher sales volume while the decrease in 2020 mainly related to lower sales volume.

Estimates used to determine the product warranty accruals are significantly affected by the historical percent of warranty claims costs to sales. Over the last five fiscal years, this percent has varied by an average of approximately plus or minus .08 percent, compared to the average warranty costs to sales percent during that period. Holding other assumptions constant, if this estimated cost experience percent were to increase or decrease .08 percent, the warranty accrual at October 31, 2021 would increase or decrease by approximately $35 million.

Postretirement Benefit Obligations

Pension and OPEB, primarily health care and life insurance plans, obligations are based on various assumptions used by the company's actuaries in calculating these amounts. These assumptions include discount rates, health care cost trend rates, expected return on plan assets, compensation increases, retirement rates, mortality rates, and other factors. Actual results that differ from the assumptions and changes in assumptions affect future expenses and obligations.

The pension assets, net of pension liabilities, recognized on the balance sheet at October 31, 2021 were $2,665 million. The pension liabilities, net of pension assets, recognized on the balance sheet at November 1, 2020 and November 3, 2019 were $447 million and $226 million, respectively. The increase in the pension net assets in 2021 was primarily due to returns on plan assets. The increase in the pension net liabilities in 2020 was primarily due to decreases in discount rates and interest on the liabilities, largely offset by the return on plan assets.

The OPEB liabilities, net of OPEB assets, at October 31, 2021, November 1, 2020, and November 3, 2019 were $3,175 million, $3,892 million, and $4,686 million, respectively. The decrease in OPEB net liabilities in 2021 was due primarily to returns on plan assets and favorable changes to medical assumptions. The decrease in OPEB net liabilities in 2020 was due primarily to contributions to a U.S. OPEB plan.

The effect of hypothetical changes to selected assumptions on the company's major U.S. retirement benefit plans would be as follows in millions of dollars:

		October 31, 2021	2022
Assumptions	Percentage Change	Increase (Decrease) PBO/APBO*	Increase (Decrease) Expense
Pension			
Discount rate**	+/-.5	$ (812)/930	$ (42)/45
Expected return on assets	+/-.5		(63)/63
OPEB			
Discount rate**	+/-.5	(271)/300	(11)/11
Expected return on assets	+/-.5		(9)/9
Health care cost trend rate**	+/-1.0	512/(429)	52/(49)

* Projected benefit obligation (PBO) for pension plans and accumulated postretirement benefit obligation (APBO) for OPEB plans.

** Pretax impact on service cost, interest cost, and amortization of gains or losses.

Goodwill

Goodwill is not amortized and is tested for impairment annually and when events or circumstances change such that it is more

likely than not that the fair value of a reporting unit is reduced below its carrying amount. The end of the fiscal third quarter is the annual measurement date. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, a loss is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit.

An estimate of the fair value of the reporting unit is determined through a combination of comparable market values for similar businesses and discounted cash flows. These estimates can change significantly based on such factors as the reporting unit's financial performance, economic conditions, interest rates, growth rates, pricing, changes in business strategies, and competition.

The company has not identified a reporting unit for which the goodwill was impaired in 2021, 2020, or 2019. For all reporting units, a 10 percent decrease in the estimated fair value would have had no effect on the carrying value of goodwill at the annual measurement date in 2021.

Allowance for Credit Losses

The allowance for credit losses is an estimate of the credit losses expected over the life of the receivable portfolio. The allowance is measured on a collective basis when similar risk characteristics exist. Risk characteristics considered by the company include finance product category, market, geography, credit risk, and remaining duration. Receivables that do not share risk characteristics with other receivables in the portfolio are evaluated on an individual basis. Non-performing receivables are included in the estimate of expected credit losses.

The company utilizes loss forecast models, which are selected based on the size and credit risk of the underlying pool of receivables, to estimate expected credit losses. Transition matrix models are used for large and complex retail customer receivable pools, while weighted average remaining maturity models are used for smaller and less complex retail customer receivable pools. Expected credit losses on wholesale receivables are based on historical loss rates, with consideration of current economic conditions and dealer financial risk. The modeled expected credit losses are adjusted based on reasonable and supportable forecasts, which may include economic indicators such as commodity prices, industry equipment sales, unemployment rates, and housing starts. Management reviews each model's output quarterly, and qualitative adjustments are incorporated as necessary.

In 2021, the company adopted ASU No. 2016-13, which revised the measurement of credit losses from an incurred loss to an expected loss methodology. Upon adoption the company's allowance for credit losses increased with an offset to retained earnings (see Note 3). The allowance for credit losses at November 1, 2020 and November 3, 2019 were not restated under the expected loss methodology. The total allowance for credit losses at October 31, 2021, November 1, 2020, and November 3, 2019 was $207 million, $223 million, and $222 million, respectively. The allowance decreased in 2021 compared to 2020 due to lower expected losses in the construction and forestry market, continued improvement in the agriculture and turf market, and better than expected performance of accounts granted payment relief due to the economic effects of COVID. As previously mentioned, the allowance decrease was partially offset by the adoption of ASU No. 2016-13. The allowance was about the same in 2020 compared to 2019 with an increase in the financing receivable allowance largely offset by a decrease in the allowance for trade accounts and notes receivable (see Note 13).

The assumptions used in evaluating the company's exposure to credit losses involve estimates and significant judgment. While the company believes its allowance is sufficient to provide for losses over the life of its existing receivable portfolio, different assumptions or changes in economic conditions would result in changes to the allowance for credit losses. Historically, changes in economic conditions have had limited impact on credit losses within the company's wholesale receivable portfolio. Within the retail customer receivables portfolio, credit loss estimates are dependent on a number of factors, including historical portfolio performance, current delinquency levels, and estimated recoveries on defaulted accounts. The company's transition matrix models, which are utilized to estimate credit losses for more than 90 percent of retail customer receivables, use historical portfolio performance and current delinquency levels to forecast future defaults. Estimated recovery rates are applied to the estimated default balance to calculate the expected credit losses. Holding all other factors constant, a 10 percent increase in the transition matrix models' forecasted defaults and a simultaneous 10 percent decrease in recovery rates would have resulted in a $34 million increase to the allowance for credit losses at October 31, 2021.

Operating Lease Residual Values

The carrying value of equipment on operating leases is affected by the estimated fair values of the equipment at the end of the lease (residual values). Upon termination of the lease, the equipment is either purchased by the lessee or sold to a third party, in which case the company may record a gain or a loss for the difference between the estimated residual value and the sale price. The estimated residual values are based on several factors, including lease term, expected hours of usage, historical wholesale sales prices, return experience, intended equipment use, market dynamics and trends, and dealer residual value guarantees. The company reviews residual value estimates during the lease term and tests the carrying value of its operating leases for impairment when events or circumstances necessitate. Changes in residual value assumptions would affect the amount of depreciation expense and the amount of investment in equipment on operating leases. Depreciation is adjusted prospectively on a straight-line basis over the remaining lease term if residual estimates are revised.

The total operating lease residual values at October 31, 2021, November 1, 2020, and November 3, 2019 were $5,025 million, $5,254 million, and $5,259 million, respectively. The decreases in 2021 and 2020 primarily related to a lower average operating lease portfolio.

Estimates used in determining end of lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. Hypothetically, if future market values for this equipment were to decrease 10 percent from the company's present estimates and all the equipment on operating leases were returned to the company for remarketing at the end of the lease term, the total effect would be to increase the company's annual depreciation for equipment on operating leases by approximately $80 million, after consideration of dealer residual value guarantees.

Income Taxes

The company's income tax provision, deferred income tax assets and liabilities, and liabilities for uncertain tax benefits represent the company's best estimate of current and future income taxes to be paid. The annual tax rate is based on income tax laws, statutory tax rates, taxable income levels, and tax planning opportunities available in various jurisdictions where the company operates. These tax laws are complex, and require significant judgment to determine the consolidated provision for income taxes. Changes in tax laws, regulations, statutory tax rates, and estimates of the company's future taxable income levels could result in actual realization of deferred taxes being materially different from amounts provided for in the consolidated financial statements.

Deferred income taxes represent temporary differences between the tax and the financial reporting basis of assets and liabilities, which will result in taxable or deductible amounts in the future. Deferred tax assets also include loss carryforwards and tax credits. These assets are regularly assessed for the likelihood of recoverability from estimated future taxable income, reversal of deferred tax liabilities, and tax planning strategies. To the extent the company determines that it is more likely than not a deferred income tax asset will not be realized, a valuation allowance is established. The recoverability analysis of the deferred income tax assets and the related valuation allowances requires significant judgment and relies on estimates.

Uncertain tax positions are determined based on whether it is more likely than not the tax positions will be sustained based on the technical merits of the position. For those positions that meet the more likely than not criteria, an estimate of the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority is recognized. The ultimate resolution of the tax position could take many years and result in a payment that is significantly different from the original estimate.

A provision for foreign withholding taxes has not been recorded on undistributed profits of the company's non-U.S. subsidiaries that are determined to be indefinitely reinvested outside the U.S. If management intentions change in the future, there may be a significant impact on the provision for income taxes in the period the change occurs. For further information on income taxes, see Note 9 to the consolidated financial statements.

SAFE HARBOR STATEMENT

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under "Business" (including under "Market Conditions"), "Risk Factors," "Management's Discussion and Analysis" (including under "Overview" and "Trends and Economic Conditions"), and other forward-looking statements herein that relate to future events, expectations, and trends involve factors that are subject to change, and risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the company's businesses.

The company's agricultural equipment businesses are subject to a number of uncertainties, including certain factors that affect farmers' confidence and financial condition. These factors include demand for agricultural products; world grain stocks; weather conditions and the effects of climate change; soil conditions; harvest yields; prices for commodities and livestock; crop and livestock production expenses; availability of transport for crops (including as a result of reduced state and local transportation budgets); trade restrictions and tariffs (e.g., China); global trade agreements; the level of farm product exports (including concerns about genetically modified organisms); the growth and sustainability of non-food uses for some crops (including ethanol and biodiesel production); real estate values; available acreage for farming; land ownership policies of governments; changes in government farm programs and policies; international reaction to such programs; changes in and effects of crop insurance programs; changes in environmental regulations and their impact on farming practices; animal diseases (e.g., African swine fever) and their effects on poultry, beef, and pork consumption and prices and on livestock feed demand; crop pests and diseases; and the impact of the COVID pandemic on the agricultural industry including demand for, and production and exports of, agricultural products, and commodity prices.

The production and precision agriculture business is dependent on agricultural conditions, and relies in part on hardware and software, guidance, connectivity and digital solutions, and automation and machine intelligence. Many factors contribute to the company's precision agriculture sales and results, including the impact to customers' profitability and/or sustainability outcomes; the rate of adoption and use by customers; availability of technological innovations; speed of research and development; effectiveness of partnerships with third parties; and the dealer channel's ability to support and service precision technology solutions.

Factors affecting the company's small agriculture and turf equipment operations include agricultural conditions; consumer confidence; weather conditions and the effects of climate change; customer profitability; labor supply; consumer borrowing patterns; consumer purchasing preferences; housing starts and supply; infrastructure investment; spending by municipalities and golf courses; and consumable input costs.

Factors affecting the company's construction and forestry equipment operations include consumer spending patterns; real estate and housing prices; the number of housing starts; interest

rates; commodity prices such as oil and gas; the levels of public and non-residential construction; and investment in infrastructure. Prices for pulp, paper, lumber, and structural panels affect sales of forestry equipment.

Many of the factors affecting the production and precision agriculture, small agriculture and turf, and construction and forestry segments have been and may continue to be impacted by global economic conditions, including those resulting from the COVID pandemic and responses to the pandemic taken by governments and other authorities.

All of the company's businesses and its results are affected by general economic conditions in the global markets and industries in which the company operates; customer confidence in general economic conditions; government spending and taxing; foreign currency exchange rates and their volatility, especially fluctuations in the value of the U.S. dollar; interest rates (including the availability of IBOR reference rates); inflation and deflation rates; changes in weather and climate patterns; the political and social stability of the global markets in which the company operates; the effects of, or response to, terrorism and security threats; wars and other conflicts; natural disasters; and the spread of major epidemics or pandemics (including the COVID pandemic) and government and industry responses to such epidemics or pandemics, such as travel restrictions and extended shut downs of businesses.

Continued uncertainties related to the magnitude, duration, and persistent effects of the COVID pandemic may significantly adversely affect the company's business and outlook. These uncertainties include, among other things: the duration and impact of the resurgence in COVID cases in any country, state, or region; the emergence, contagiousness, and threat of new and different strains of virus; the availability, acceptance, and effectiveness of vaccines; additional closures as mandated or otherwise made necessary by governmental authorities; disruptions in the supply chain, including those caused by industry capacity constraints, material availability, and global logistics delays and constraints arising from, among other things, the transportation capacity of ocean shipping containers, and a prolonged delay in resumption of operations by one or more key suppliers, or the failure of any key suppliers; an increasingly competitive labor market due to a sustained labor shortage or increased turnover caused by the COVID pandemic; the company's ability to meet commitments to customers on a timely basis as a result of increased costs and supply and transportation challenges; increased logistics costs; additional operating costs due to continued remote working arrangements, adherence to social distancing guidelines, and other COVID-related challenges; increased risk of cyberattacks on network connections used in remote working arrangements; increased privacy-related risks due to processing health-related personal information; legal claims related to personal protective equipment designed, made, or provided by the company or alleged exposure to COVID on company premises; absence of employees due to illness; and the impact of the pandemic on the company's customers and dealers. The sustainability of the economic recovery observed in 2021 remains unclear and significant volatility could continue for a prolonged period. These factors, and others that are currently unknown or considered immaterial, could materially and adversely affect our business, liquidity, results of operations, and financial position.

Significant changes in market liquidity conditions, changes in the company's credit ratings, and any failure to comply with financial covenants in credit agreements could impact access to funding and funding costs, which could reduce the company's earnings and cash flows. Financial market conditions could also negatively impact customer access to capital for purchases of the company's products and customer confidence and purchase decisions, financing and repayment practices, and the number and size of customer delinquencies and defaults. A debt crisis in Europe, Latin America, or elsewhere could negatively impact currencies, global financial markets, social and political stability, funding sources and costs, asset and obligation values, customers, suppliers, demand for equipment, and company operations and results. The company's investment management activities could be impaired by changes in the equity, bond, and other financial markets, which would negatively affect earnings.

Continued effects of the withdrawal of the United Kingdom from the European Union could adversely affect business activity, political stability, and economic conditions in the United Kingdom, the European Union, and elsewhere. The economic conditions and outlook could be further adversely affected by (i) uncertainty regarding any new or modified trade arrangements between the United Kingdom and the European Union and/or other countries; (ii) the risk that one or more other European Union countries could come under increasing pressure to leave the European Union; or (iii) the risk that the euro as the single currency of the eurozone could cease to exist. Any of these developments could affect our businesses, liquidity, results of operations, and financial position.

Additional factors that could materially affect the company's operations, access to capital, expenses, and results include changes in, uncertainty surrounding, and the impact of governmental trade, banking, monetary, and fiscal policies, including financial regulatory reform and its effects on the consumer finance industry, derivatives, funding costs, and other areas; the potential default of the U.S. federal government if Congress fails to pass a 2022 budget resolution; governmental programs, policies, and tariffs for the benefit of certain industries or sectors; sanctions in particular jurisdictions; retaliatory actions to such changes in trade, banking, monetary, and fiscal policies; actions by central banks; actions by financial and securities regulators; actions by environmental, health, and safety regulatory agencies, including those related to engine emissions, carbon and other greenhouse gas emissions, noise, and the effects of climate change; changes to GPS radio frequency bands or their permitted uses; changes in labor and immigration regulations; changes to accounting standards; changes in tax rates, estimates, laws, and regulations and

company actions related thereto; changes to and compliance with privacy, banking, and other regulations; changes to and compliance with economic sanctions and export controls laws and regulations; compliance with U.S. and foreign laws when expanding to new markets and otherwise; and actions by other regulatory bodies.

Other factors that could materially affect the company's results include production, design, and technological innovations and difficulties, including capacity and supply constraints and prices; the loss of or challenges to intellectual property rights, whether through theft, infringement, counterfeiting, or otherwise; the availability and prices of strategically sourced materials, components, and whole goods; delays or disruptions in the company's supply chain or the loss of liquidity by suppliers; disruptions of infrastructures that support communications, operations, or distribution; the failure of customers, dealers, suppliers, or the company to comply with laws, regulations, and company policy pertaining to employment, human rights, health, safety, the environment, sanctions, export controls, anti-corruption, privacy and data protection, and other ethical business practices; introduction of legislation that could affect the company's business model and intellectual property, such as right to repair or right to modify; events that damage the company's reputation or brand; significant investigations, claims, lawsuits, or other legal proceedings; start-up of new plants and products; the success of new product initiatives or business strategies; changes in customer product preferences and sales mix; gaps or limitations in rural broadband coverage, capacity, and speed needed to support technology solutions; oil and energy prices, supplies, and volatility; the availability and cost of freight; actions of competitors in the various industries in which the company competes, particularly price discounting; dealer practices, especially as to levels of new and used field inventories; changes in demand and pricing for used equipment and resulting impacts on lease residual values; labor relations and contracts, including work stoppages and other disruptions; changes in the ability to attract, develop, engage, and retain qualified personnel; acquisitions and divestitures of businesses; greater-than-anticipated transaction costs; the integration of new businesses; the failure or delay in closing or realizing anticipated benefits of acquisitions, joint ventures, or divestitures; the inability to deliver precision technology and agricultural solutions to customers; the implementation of the smart industrial operating model and other organizational changes; the failure to realize anticipated savings or benefits of cost reduction, productivity, or efficiency efforts; difficulties related to the conversion and implementation of enterprise resource planning systems; security breaches, cybersecurity attacks, technology failures, and other disruptions to the information technology infrastructure of the company and its suppliers and dealers; security breaches with respect to the company's products; changes in company-declared dividends and common stock issuances and repurchases; changes in the level and funding of employee retirement benefits; changes in market values of investment assets, compensation, retirement, discount, and mortality rates which impact retirement benefit costs; and significant changes in health care costs.

The liquidity and ongoing profitability of John Deere Capital Corporation and the company's other financial services subsidiaries depend largely on timely access to capital in order to meet future cash flow requirements, and to fund operations, costs, and purchases of the company's products. If general economic conditions deteriorate or capital markets become more volatile, funding could be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications and increases in delinquencies and default rates, which could materially impact write-offs and provisions for credit losses.

The company's forward-looking statements are based upon assumptions relating to the factors described above, which are sometimes based upon estimates and data prepared by government agencies. Such estimates and data are often revised. The company, except as required by law, undertakes no obligation to update or revise its forward-looking statements, whether as a result of new developments or otherwise. Further information concerning the company and its businesses, including factors that could materially affect the company's financial results, is included in the company's other filings with the SEC (including, but not limited to, the factors discussed in Item 1A. Risk Factors of this annual report on Form 10-K and the company's quarterly reports on Form 10-Q).

SUPPLEMENTAL CONSOLIDATING INFORMATION

The supplemental consolidating data presented on the subsequent pages is presented for informational purposes. The equipment operations represents the enterprise without financial services. The equipment operations includes the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services. Transactions between the "equipment operations" and "financial services" have been eliminated to arrive at the consolidated financial statements.

The equipment operations and financial services participate in different industries. The equipment operations primarily generate earnings and cash flows by manufacturing and distributing equipment, service parts, and technology solutions to dealers and retail customers. Financial services primarily finances sales and leases by dealers of new and used equipment that is largely manufactured by the company. Those earnings and cash flows generally are the difference between the finance income received from customer payments less interest expense, and depreciation on equipment subject to an operating lease. The two businesses are capitalized differently and have separate performance metrics. The supplemental consolidating data is also used by management due to these differences.

SUPPLEMENTAL CONSOLIDATING DATA

INCOME STATEMENT

For the Years Ended October 31, 2021, November 1, 2020, and November 3, 2019

(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS[1]			FINANCIAL SERVICES			ELIMINATIONS			CONSOLIDATED			
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	
Net Sales and Revenues													
Net sales	$ 39,737	$ 31,272	$ 34,886							$ 39,737	$ 31,272	$ 34,886	
Finance and interest income	133	112	118	$ 3,442	$ 3,610	$ 3,735	$ (279)	$ (272)	$ (360)	3,296	3,450	3,493	[2]
Other income	941	808	881	352	257	234	(302)	(247)	(236)	991	818	879	[3]
Total	40,811	32,192	35,885	3,794	3,867	3,969	(581)	(519)	(596)	44,024	35,540	39,258	
Costs and Expenses													
Cost of sales	29,119	23,679	26,793				(3)	(2)	(1)	29,116	23,677	26,792	[4]
Research and development expenses	1,587	1,644	1,783							1,587	1,644	1,783	
Selling, administrative and general expenses	2,887	2,878	3,031	504	606	528	(8)	(7)	(8)	3,383	3,477	3,551	[4]
Interest expense	368	329	256	687	942	1,234	(62)	(24)	(24)	993	1,247	1,466	[5]
Interest compensation to Financial Services	217	248	336				(217)	(248)	(336)				[5]
Other operating expenses	181	278	299	1,453	1,572	1,506	(291)	(238)	(227)	1,343	1,612	1,578	[6]
Total	34,359	29,056	32,498	2,644	3,120	3,268	(581)	(519)	(596)	36,422	31,657	35,170	
Income before Income Taxes	6,452	3,136	3,387	1,150	747	701				7,602	3,883	4,088	
Provision for income taxes	1,386	899	689	272	183	163				1,658	1,082	852	
Income after Income Taxes	5,066	2,237	2,698	878	564	538				5,944	2,801	3,236	
Equity in income (loss) of unconsolidated affiliates	18	(50)	20	3	2	1				21	(48)	21	
Net Income	5,084	2,187	2,718	881	566	539				5,965	2,753	3,257	
Less: Net income attributable to noncontrolling interests	2	2	4							2	2	4	
Net Income Attributable to Deere & Company	$ 5,082	$ 2,185	$ 2,714	$ 881	$ 566	$ 539				$ 5,963	$ 2,751	$ 3,253	

[1] The equipment operations represents the enterprise without financial services. The equipment operations includes the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services.

[2] Elimination of financial services' interest income earned from equipment operations.

[3] Elimination of equipment operations' margin from inventory transferred to equipment on operating leases (see Note 7).

[4] Elimination of intercompany service fees.

[5] Elimination of equipment operations' interest expense to financial services.

[6] Elimination of financial services' lease depreciation expense related to inventory transferred to equipment on operating leases.

CONDENSED BALANCE SHEET
As of October 31, 2021 and November 1, 2020
(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS[1]		FINANCIAL SERVICES		ELIMINATIONS		CONSOLIDATED		
	2021	2020	2021	2020	2021	2020	2021	2020	
ASSETS									
Cash and cash equivalents	$ 7,188	$ 6,145	$ 829	$ 921			$ 8,017	$ 7,066	
Marketable securities	3	7	725	634			728	641	
Receivables from unconsolidated affiliates	5,591	5,290			$ (5,564)	$ (5,259)	27	31	7
Trade accounts and notes receivable - net	1,155	1,013	3,895	4,238	(842)	(1,080)	4,208	4,171	8
Financing receivables - net	73	106	33,726	29,644			33,799	29,750	
Financing receivables securitized - net	10	26	4,649	4,677			4,659	4,703	
Other receivables	1,602	1,117	159	151	(23)	(48)	1,738	1,220	8
Equipment on operating leases - net			6,988	7,298			6,988	7,298	
Inventories	6,781	4,999					6,781	4,999	
Property and equipment - net	5,783	5,778	37	39			5,820	5,817	
Investments in unconsolidated affiliates	153	174	22	19			175	193	
Goodwill	3,291	3,081					3,291	3,081	
Other intangible assets - net	1,275	1,327					1,275	1,327	
Retirement benefits	3,539	859	64	59	(2)	(55)	3,601	863	9
Deferred income taxes	1,215	1,763	53	45	(231)	(309)	1,037	1,499	10
Other assets	1,493	1,439	477	994		(1)	1,970	2,432	
Total Assets	$ 39,152	$ 33,124	$ 51,624	$ 48,719	$ (6,662)	$ (6,752)	$ 84,114	$ 75,091	
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES									
Short-term borrowings	$ 1,509	$ 292	$ 9,410	$ 8,290			$ 10,919	$ 8,582	
Short-term securitization borrowings	10	26	4,595	4,656			4,605	4,682	
Payables to unconsolidated affiliates	143	104	5,564	5,260	$ (5,564)	$ (5,259)	143	105	7
Accounts payable and accrued expenses	11,055	9,114	2,015	2,127	(865)	(1,129)	12,205	10,112	8
Deferred income taxes	438	385	369	443	(231)	(309)	576	519	10
Long-term borrowings	8,915	10,124	23,973	22,610			32,888	32,734	
Retirement benefits and other liabilities	4,239	5,366	107	102	(2)	(55)	4,344	5,413	9
Total liabilities	26,309	25,411	46,033	43,488	(6,662)	(6,752)	65,680	62,147	
Commitments and contingencies (Note 21)									
STOCKHOLDERS' EQUITY									
Total Deere & Company stockholders' equity	18,431	12,937	5,591	5,231	(5,591)	(5,231)	18,431	12,937	11
Noncontrolling interests	3	7					3	7	
Financial Services' equity	(5,591)	(5,231)			5,591	5,231			11
Adjusted total stockholders' equity	12,843	7,713	5,591	5,231			18,434	12,944	
Total Liabilities and Stockholders' Equity	$ 39,152	$ 33,124	$ 51,624	$ 48,719	$ (6,662)	$ (6,752)	$ 84,114	$ 75,091	

[1] The equipment operations represents the enterprise without financial services. The equipment operations includes the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services.

[7] Elimination of receivables / payables between equipment operations and financial services.

[8] Reclassification of sales incentive accruals on receivables sold to financial services.

[9] Reclassification of net pension assets / liabilities.

[10] Reclassification of deferred tax assets / liabilities in the same taxing jurisdictions.

[11] Elimination of financial services' equity.

SUPPLEMENTAL CONSOLIDATING DATA (continued)

STATEMENT OF CASH FLOWS
For the Years Ended October 31, 2021, November 1, 2020, and November 3, 2019
(In millions of dollars) Unaudited

	EQUIPMENT OPERATIONS[1]			FINANCIAL SERVICES			ELIMINATIONS			CONSOLIDATED			
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	
Cash Flows from Operating Activities													
Net income	$ 5,084	$ 2,187	$ 2,718	$ 881	$ 566	$ 539				$ 5,965	$ 2,753	$ 3,257	
Adjustments to reconcile net income to net cash provided by operating activities:													
Provision (credit) for credit losses	7	5	14	(13)	105	29				(6)	110	43	
Provision for depreciation and amortization	1,043	1,016	1,015	1,140	1,227	1,135	$ (133)	$ (125)	$ (131)	2,050	2,118	2,019	12
Impairment charges	50	162			32	77				50	194	77	
Share-based compensation expense							82	81	82	82	81	82	13
Loss on sale of businesses and unconsolidated affiliates		24	5								24	5	
Undistributed earnings of unconsolidated affiliates	560	381	437	(3)	(2)	(2)	(555)	(386)	(426)	2	(7)	9	14
Provision (credit) for deferred income taxes	(369)	105	(222)	(72)	(116)	(243)				(441)	(11)	(465)	
Changes in assets and liabilities:													
Trade, notes, and financing receivables related to sales	(105)	373	(142)				1,074	1,636	(727)	969	2,009	(869)	15, 17, 18
Inventories	(1,835)	1,011	(102)				(662)	(614)	(678)	(2,497)	397	(780)	16
Accounts payable and accrued expenses	1,589	(331)	13	57	(1)	163	238	325	(130)	1,884	(7)	46	17
Accrued income taxes payable/receivable	13	(14)	(355)	(2)	22	528				11	8	173	
Retirement benefits	30	(544)	(235)	(1)	7	2				29	(537)	(233)	
Other	(167)	385	54	(22)	136	190	(183)	(170)	(196)	(372)	351	48	12, 13, 16
Net cash provided by operating activities	5,900	4,760	3,200	1,965	1,976	2,418	(139)	747	(2,206)	7,726	7,483	3,412	
Cash Flows from Investing Activities													
Collections of receivables (excluding receivables related to sales)				20,527	18,829	18,190	(1,568)	(1,448)	(1,484)	18,959	17,381	16,706	15
Proceeds from maturities and sales of marketable securities	4		12	105	93	77				109	93	89	
Proceeds from sales of equipment on operating leases				2,094	1,783	1,648				2,094	1,783	1,648	
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold			93									93	
Cost of receivables acquired (excluding receivables related to sales)				(25,305)	(21,360)	(20,321)	1,652	1,395	1,448	(23,653)	(19,965)	(18,873)	15
Acquisitions of businesses, net of cash acquired	(244)	(66)								(244)	(66)		
Purchases of marketable securities		(4)	(3)	(194)	(126)	(137)				(194)	(130)	(140)	
Purchases of property and equipment	(845)	(816)	(1,118)	(3)	(4)	(2)				(848)	(820)	(1,120)	
Cost of equipment on operating leases acquired				(2,627)	(2,666)	(3,246)	895	830	917	(1,732)	(1,836)	(2,329)	16
Decrease (increase) in trade and wholesale receivables				1,364	1,999	(935)	(1,364)	(1,999)	935				15
Collateral on derivatives - net	(7)	(6)		(274)	274	59				(281)	268	59	
Other	58	(99)	27	5	(38)	(54)	(23)	110	(30)	40	(27)	(57)	14, 18
Net cash used for investing activities	(1,034)	(991)	(989)	(4,308)	(1,216)	(4,721)	(408)	(1,112)	1,786	(5,750)	(3,319)	(3,924)	
Cash Flows from Financing Activities													
Increase (decrease) in total short-term borrowings	65	(177)	(149)	753	(1,183)	(768)				818	(1,360)	(917)	
Change in intercompany receivables/payables	(354)	(3,207)	(305)	354	3,207	305							
Proceeds from long-term borrowings	11	4,586	1,348	8,711	4,685	8,638				8,722	9,271	9,986	
Payments of long-term borrowings	(94)	(607)	(972)	(6,996)	(6,776)	(5,454)				(7,090)	(7,383)	(6,426)	
Proceeds from issuance of common stock	148	331	178							148	331	178	
Repurchases of common stock	(2,538)	(750)	(1,253)							(2,538)	(750)	(1,253)	
Dividends paid	(1,040)	(956)	(943)	(555)	(386)	(427)	555	386	427	(1,040)	(956)	(943)	14
Other	(61)	(105)	(79)	(29)	(7)	(30)	(8)	(21)	(7)	(98)	(133)	(116)	14
Net cash provided by (used for) financing activities	(3,863)	(885)	(2,175)	2,238	(460)	2,264	547	365	420	(1,078)	(980)	509	
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	41	76	(42)	14	(44)	(14)				55	32	(56)	
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,044	2,960	(6)	(91)	256	(53)				953	3,216	(59)	
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	6,156	3,196	3,202	1,016	760	813				7,172	3,956	4,015	
Cash, Cash Equivalents, and Restricted Cash at End of Year	$ 7,200	$ 6,156	$ 3,196	$ 925	$ 1,016	$ 760				$ 8,125	$ 7,172	$ 3,956	

[1] The equipment operations represents the enterprise without financial services. The equipment operations includes the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services.
[12] Elimination of depreciation on leases related to inventory transferred to equipment on operating leases (see Note 7).
[13] Reclassification of share-based compensation expense.
[14] Elimination of dividends from financial services to the equipment operations, which are included in the equipment operations net cash provided by operating activities, and capital investments in financial services from the equipment operations.
[15] Primarily reclassification of receivables related to the sale of equipment.
[16] Reclassification of direct lease agreements with retail customers.
[17] Reclassification of sales incentive accruals on receivables sold to financial services
[18] Elimination and reclassification of the effects of financial services partial financing of the construction and forestry retail locations sales and subsequent collection of those amounts (see Note 4).

FINANCIAL INSTRUMENT MARKET RISK INFORMATION

The company is naturally exposed to various interest rate and foreign currency risks. As a result, the company enters into derivative transactions to manage certain of these exposures that arise in the normal course of business and not for the purpose of creating speculative positions or trading. The company's financial services operations manage the relationship of the types and amounts of their funding sources to their receivable and lease portfolio in an effort to diminish risk due to interest rate and foreign currency fluctuations while responding to favorable financing opportunities. In addition, the company has interest rate exposure at certain equipment operations units for below market retail financing programs that are used as sales incentives and are offered for extended periods. Accordingly, from time to time, these operations enter into interest rate swap agreements to manage their interest rate exposure. The company also has foreign currency exposures at some of its foreign and domestic operations related to buying, selling, and financing in currencies other than the functional currencies. The company has entered into agreements related to the management of these foreign currency transaction risks.

Interest Rate Risk

Quarterly, the company uses a combination of cash flow models to assess the sensitivity of its financial instruments with interest rate exposure to changes in market interest rates. The models calculate the effect of adjusting interest rates as follows: cash flows for financing receivables are discounted at the current prevailing rate for each receivable portfolio, cash flows for marketable securities are primarily discounted at the applicable benchmark yield curve plus market credit spreads, cash flows for unsecured borrowings are discounted at the applicable benchmark yield curve plus market credit spreads for similarly rated borrowers, cash flows for securitized borrowings are discounted at the swap yield curve plus a market credit spread for similarly rated borrowers, and cash flows for interest rate swaps are projected and discounted using forward rates from the swap yield curve at the repricing dates. The net loss in these financial instruments' fair values which would be caused by increasing the interest rates by 10 percent from the market rates at October 31, 2021 would have been approximately $19 million. The net loss from increasing the interest rates by 10 percent at November 1, 2020 would have been approximately $50 million.

Foreign Currency Risk

In the equipment operations, the company's practice is to hedge significant currency exposures. Worldwide foreign currency exposures are reviewed quarterly. Based on the equipment operations' anticipated and committed foreign currency cash inflows, outflows, and hedging policy for the next twelve months, the company estimates that a hypothetical 10 percent strengthening of the U.S. dollar relative to other currencies through 2022 would decrease the 2022 expected net cash inflows by approximately $113 million. At November 1, 2020, a hypothetical 10 percent strengthening of the U.S. dollar under similar assumptions and calculations indicated a potential $90 million adverse effect on the 2021 net cash inflows.

In the financial services operations, the company's policy is to manage foreign currency risk through hedging strategies if the currency of the borrowings does not match the currency of the receivable portfolio. As a result, a hypothetical 10 percent adverse change in the value of the U.S. dollar relative to all other foreign currencies would not have a material effect on the financial services cash flows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Deere & Company:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Deere & Company and subsidiaries (the "Company") as of October 31, 2021 and November 1, 2020, the related statements of consolidated income, consolidated comprehensive income, changes in consolidated stockholders' equity, and consolidated cash flows for each of the three years in the period ended October 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2021 and November 1, 2020, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 16, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Sales Incentives — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The sales incentive accrual at October 31, 2021 was $1,680 million, of which $880 million is recorded within trade accounts and notes receivable – net and $800 million is recorded within accounts payable and accrued expenses. At the time a sale to a dealer is recognized, the Company records an estimate of the future sales incentive costs as a reduction to the sales price. These incentives may be based on a dealer's purchase volume, or on retail sales incentive programs for allowances and financing programs that will be due when the dealer sells the equipment to a retail customer. The estimated cost of these programs is based on historical data, announced and expected incentive programs, field inventory levels and forecasted sales volumes. The final cost of these programs is determined at the end of the measurement period for volume-based incentives or when the dealer sells the equipment to the retail customer. This is due to numerous programs available at any particular time and new programs that may be announced after the Company records the equipment sale. Changes in the mix and types of programs affect these estimates, which are reviewed quarterly. The estimation of the sales incentive accrual is impacted by many assumptions. One of the key assumptions is the predictive value of the historical percentage of sales incentive costs to retail sales from dealers.

We identified the sales incentive accrual as a critical audit matter because estimating sales incentive costs requires significant judgment by management and changes in historical percentage of sales incentive costs to retails sales by dealers could have a material impact on the sales incentive accrual. Auditing management's assumptions about the predictive nature of historical sales incentive costs involves a high degree of auditor judgment and an increased extent of effort to evaluate the reasonableness of management's estimates.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing management's assumption that historical sales incentive costs are predictive of future incentive costs included the following, among others:

- We tested the effectiveness of management's controls over the assumptions used to estimate the sales incentive accrual.
- We evaluated management's ability to accurately forecast future incentive costs performing a retrospective review that involved comparing actual incentive costs to management's historical forecasts.
- We evaluated the reasonableness of management's assumption that historical sales incentive costs are predictive of future incentive costs by:
    - Considering the impact of changes in the current economic conditions and competitive environment.
    - Testing the completeness of the population used in the calculation by inspecting a sample of incentive program communications to dealers to ensure all sales incentive programs offered were included in the calculation and by confirming sales incentive payments with a sample of dealers.
    - Comparing historical and current sales incentive costs in the following manner:
        - Type and number of programs
        - Geography
        - Program size and duration
        - Eligible products

Allowance for Credit Losses – Refer to Notes 2 and 13 to the financial statements

Critical Audit Matter Description

The allowance for credit losses as of October 31, 2021 was $207 million. The allowance for credit losses is an estimate of the credit losses expected over the life of the Company's receivable portfolio. The Company measures expected credit losses on a collective basis when similar risk characteristics exist. Risk characteristics considered by the Company include finance product category, market, geography, credit risk, and remaining duration. The Company utilizes loss forecast models, which are selected based on the size and credit risk of the underlying pool of receivables, to estimate expected credit losses. Transition matrix models are used for large and complex retail customer receivable pools. The modeled expected credit losses are adjusted based on reasonable and supportable forecasts, which may include economic indicators such as commodity prices, industry equipment sales, unemployment rates, and housing starts. Management reviews each model's output quarterly, and qualitative adjustments are incorporated as necessary.

We identified the allowance for credit losses as a critical audit matter because determining the appropriate methodology and assumptions used in the estimate requires significant judgment by management. Given the subjective nature and judgment applied by management to determine the allowance for credit losses, auditing the methodology and assumptions requires a high degree of auditor judgment and an increased extent of effort, including the need to involve credit specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the Company's allowance for credit losses included the following, among others:

- We tested the effectiveness of management's controls over the methodology, data and assumptions used to estimate the allowance for credit losses.
- We tested the accuracy and evaluated the relevance of the underlying historical data used in the Company's model.
- With the assistance of our credit specialists, we evaluated the reasonableness and accuracy of the models used to estimate the allowance for credit losses, including model assumptions and the selection and application of relevant risk characteristics and use of qualitative adjustments.
- We evaluated qualitative adjustments to the model estimate. Our evaluation included:
    - Comparison of qualitative factors used by the Company to source data provided by the Company and/or to externally available data.
    - Consideration and evaluation of contradictory evidence.
- We evaluated management's ability to accurately forecast credit losses by performing a retrospective review, which involved comparing actual credit losses to historical estimates.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois
December 16, 2021

We have served as the Company's auditor since 1910.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Deere & Company (the "company") is responsible for establishing and maintaining adequate internal control over financial reporting. The company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the company's internal control over financial reporting as of October 31, 2021, using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of October 31, 2021, the company's internal control over financial reporting was effective.

The company's independent registered public accounting firm has issued an audit report on the effectiveness of the company's internal control over financial reporting. This report appears below.

December 16, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Deere & Company:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Deere & Company and subsidiaries (the "Company") as of October 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended October 31, 2021 of the Company and our report dated December 16, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois
December 16, 2021

DEERE & COMPANY

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended October 31, 2021, November 1, 2020, and November 3, 2019

(In millions of dollars and shares except per share amounts)

	2021	2020	2019
Net Sales and Revenues			
Net sales	$ 39,737	$ 31,272	$ 34,886
Finance and interest income	3,296	3,450	3,493
Other income	991	818	879
Total	44,024	35,540	39,258
Costs and Expenses			
Cost of sales	29,116	23,677	26,792
Research and development expenses	1,587	1,644	1,783
Selling, administrative and general expenses	3,383	3,477	3,551
Interest expense	993	1,247	1,466
Other operating expenses	1,343	1,612	1,578
Total	36,422	31,657	35,170
Income of Consolidated Group before Income Taxes	7,602	3,883	4,088
Provision for income taxes	1,658	1,082	852
Income of Consolidated Group	5,944	2,801	3,236
Equity in income (loss) of unconsolidated affiliates	21	(48)	21
Net Income	5,965	2,753	3,257
Less: Net income attributable to noncontrolling interests	2	2	4
Net Income Attributable to Deere & Company	$ 5,963	$ 2,751	$ 3,253
Per Share Data			
Basic	$ 19.14	$ 8.77	$ 10.28
Diluted	$ 18.99	$ 8.69	$ 10.15
Dividends declared	$ 3.61	$ 3.04	$ 3.04
Average Shares Outstanding			
Basic	311.6	313.5	316.5
Diluted	314.0	316.6	320.6

The notes to consolidated financial statements are an integral part of this statement.

DEERE & COMPANY

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

For the Years Ended October 31, 2021, November 1, 2020, and November 3, 2019

(In millions of dollars)

	2021	2020	2019
Net Income	$ 5,965	$ 2,753	$ 3,257
Other Comprehensive Income (Loss), Net of Income Taxes			
Retirement benefits adjustment	2,884	(3)	(678)
Cumulative translation adjustment	118	55	(448)
Unrealized gain (loss) on derivatives	16	2	(75)
Unrealized gain (loss) on debt securities	(18)	14	29
Other Comprehensive Income (Loss), Net of Income Taxes	3,000	68	(1,172)
Comprehensive Income of Consolidated Group	8,965	2,821	2,085
Less: Comprehensive income attributable to noncontrolling interests	2	2	4
Comprehensive Income Attributable to Deere & Company	$ 8,963	$ 2,819	$ 2,081

The notes to consolidated financial statements are an integral part of this statement.

DEERE & COMPANY

CONSOLIDATED BALANCE SHEET

As of October 31, 2021 and November 1, 2020

(In millions of dollars)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 8,017	$ 7,066
Marketable securities	728	641
Receivables from unconsolidated affiliates	27	31
Trade accounts and notes receivable - net	4,208	4,171
Financing receivables - net	33,799	29,750
Financing receivables securitized - net	4,659	4,703
Other receivables	1,738	1,220
Equipment on operating leases - net	6,988	7,298
Inventories	6,781	4,999
Property and equipment - net	5,820	5,817
Investments in unconsolidated affiliates	175	193
Goodwill	3,291	3,081
Other intangible assets - net	1,275	1,327
Retirement benefits	3,601	863
Deferred income taxes	1,037	1,499
Other assets	1,970	2,432
Total Assets	$ 84,114	$ 75,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	$ 10,919	$ 8,582
Short-term securitization borrowings	4,605	4,682
Payables to unconsolidated affiliates	143	105
Accounts payable and accrued expenses	12,205	10,112
Deferred income taxes	576	519
Long-term borrowings	32,888	32,734
Retirement benefits and other liabilities	4,344	5,413
Total liabilities	65,680	62,147
Commitments and contingencies (Note 21)		
STOCKHOLDERS' EQUITY		
Common stock, $1 par value (authorized – 1,200,000,000 shares; issued – 536,431,204 shares in 2021 and 2020), at paid-in amount	5,054	4,895
Common stock in treasury, 228,366,144 shares in 2021 and 222,775,254 shares in 2020, at cost	(20,533)	(18,065)
Retained earnings	36,449	31,646
Accumulated other comprehensive income (loss)	(2,539)	(5,539)
Total Deere & Company stockholders' equity	18,431	12,937
Noncontrolling interests	3	7
Total stockholders' equity	18,434	12,944
Total Liabilities and Stockholders' Equity	$ 84,114	$ 75,091

The notes to consolidated financial statements are an integral part of this statement.

DEERE & COMPANY

STATEMENT OF CONSOLIDATED CASH FLOWS

For the Years Ended October 31, 2021, November 1, 2020, and November 3, 2019

(In millions of dollars)

	2021	2020	2019
Cash Flows from Operating Activities			
Net income	$ 5,965	$ 2,753	$ 3,257
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (credit) for credit losses	(6)	110	43
Provision for depreciation and amortization	2,050	2,118	2,019
Impairment charges	50	194	77
Share-based compensation expense	82	81	82
Loss on sales of businesses and unconsolidated affiliates		24	5
Undistributed earnings of unconsolidated affiliates	2	(7)	9
Credit for deferred income taxes	(441)	(11)	(465)
Changes in assets and liabilities:			
Trade, notes, and financing receivables related to sales	969	2,009	(869)
Inventories	(2,497)	397	(780)
Accounts payable and accrued expenses	1,884	(7)	46
Accrued income taxes payable/receivable	11	8	173
Retirement benefits	29	(537)	(233)
Other	(372)	351	48
Net cash provided by operating activities	7,726	7,483	3,412
Cash Flows from Investing Activities			
Collections of receivables (excluding receivables related to sales)	18,959	17,381	16,706
Proceeds from maturities and sales of marketable securities	109	93	89
Proceeds from sales of equipment on operating leases	2,094	1,783	1,648
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold			93
Cost of receivables acquired (excluding receivables related to sales)	(23,653)	(19,965)	(18,873)
Acquisitions of businesses, net of cash acquired	(244)	(66)	
Purchases of marketable securities	(194)	(130)	(140)
Purchases of property and equipment	(848)	(820)	(1,120)
Cost of equipment on operating leases acquired	(1,732)	(1,836)	(2,329)
Collateral on derivatives - net	(281)	268	59
Other	40	(27)	(57)
Net cash used for investing activities	(5,750)	(3,319)	(3,924)
Cash Flows from Financing Activities			
Increase (decrease) in total short-term borrowings	818	(1,360)	(917)
Proceeds from long-term borrowings	8,722	9,271	9,986
Payments of long-term borrowings	(7,090)	(7,383)	(6,426)
Proceeds from issuance of common stock	148	331	178
Repurchases of common stock	(2,538)	(750)	(1,253)
Dividends paid	(1,040)	(956)	(943)
Other	(98)	(133)	(116)
Net cash provided by (used for) financing activities	(1,078)	(980)	509
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	55	32	(56)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	953	3,216	(59)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	7,172	3,956	4,015
Cash, Cash Equivalents, and Restricted Cash at End of Year	$ 8,125	$ 7,172	$ 3,956

The notes to consolidated financial statements are an integral part of this statement.

DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

For the Years Ended November 3, 2019, November 1, 2020, and October 31, 2021

(In millions of dollars)

	Total Stockholders' Equity						
		Deere & Company Stockholders					
	Total Stockholders' Equity	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Redeemable Noncontrolling Interest
Balance October 28, 2018	$ 11,291	$ 4,474	$ (16,312)	$ 27,553	$ (4,427)	$ 3	$ 14
ASU No. 2016-01 adoption				8	(8)		
Net income	3,257			3,253		4	
Other comprehensive loss	(1,172)				(1,172)		
Repurchases of common stock	(1,253)		(1,253)				
Treasury shares reissued	91		91				
Dividends declared	(965)			(963)		(2)	
Stock options and other	168	168		1		(1)	
Balance November 3, 2019	11,417	4,642	(17,474)	29,852	(5,607)	4	14
Net income	2,752			2,751		1	1
Other comprehensive income	68				68		
Repurchases of common stock	(750)		(750)				
Treasury shares reissued	159		159				
Dividends declared	(956)			(955)		(1)	(1)
Noncontrolling interest redemption (Note 5)							(14)
Stock options and other	254	253		(2)		3	
Balance November 1, 2020	12,944	4,895	(18,065)	31,646	(5,539)	7	
ASU No. 2016-13 adoption (Note 3)	(35)			(35)			
Net income	5,965			5,963		2	
Other comprehensive income	3,000				3,000		
Repurchases of common stock	(2,538)		(2,538)				
Treasury shares reissued	70		70				
Dividends declared	(1,127)			(1,125)		(2)	
Stock options and other	155	159				(4)	
Balance October 31, 2021	$ 18,434	$ 5,054	$ (20,533)	$ 36,449	$ (2,539)	$ 3	

The notes to consolidated financial statements are an integral part of this statement.

1. ORGANIZATION AND CONSOLIDATION

Structure of Operations

The information in the notes and related commentary are presented in a format that includes data grouped as follows:

Consolidated – Represents the consolidation of the equipment operations and financial services. References to "Deere & Company" or "the company" refer to the entire enterprise.

Equipment Operations – Represents the enterprise without financial services, while including the company's production and precision agriculture operations, small agriculture and turf operations, construction and forestry operations, and other corporate assets, liabilities, revenues, and expenses not reflected within financial services.

Financial Services – Represents the company's financing operations.

New Segment Reporting Structure

In fiscal year 2021, the company implemented a new operating model and reporting structure. With this change, the company's agriculture and turf operations were divided into two new segments: production and precision agriculture (PPA) and small agriculture and turf (SAT). There were no changes to the construction and forestry (CF) and financial services (FS) segments. At the beginning of fiscal year 2021, the company also reclassified goodwill from identifiable operating assets to corporate assets for segment reporting, as goodwill is no longer considered in evaluating the operating performance of the segments. Additional information on the new segments and the segment financial results are presented in Note 28. Prior period segment information was recast for a consistent presentation. References to agriculture and turf include both production and precision agriculture and small agriculture and turf.

Principles of Consolidation

The consolidated financial statements represent the consolidation of all companies in which Deere & Company has a controlling interest. Certain variable interest entities (VIEs) are consolidated since the company is the primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the VIEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs. Deere & Company records its investment in each unconsolidated affiliated company (generally 20 to 50 percent ownership) at its related equity in the net assets of such affiliate (see Note 11). Other investments (less than 20 percent ownership) are recorded at cost.

Fiscal Year

The company uses a 52/53 week fiscal year ending on the last Sunday in the reporting period, which generally occurs in October. An additional week is included in the fourth fiscal quarter every five or six years to realign the company's fiscal quarters with the calendar. The fiscal year ends for 2021, 2020, and 2019 were October 31, 2021, November 1, 2020, and November 3, 2019, respectively. Fiscal years 2021 and 2020 contained 52 weeks compared to 53 weeks in fiscal year 2019. Unless otherwise stated, references to particular years or quarters refer to the company's fiscal years and the associated periods in those fiscal years.

Wirtgen Reporting Lag Removal

Prior to November 2, 2020, the operating results of the Wirtgen Group (Wirtgen) were incorporated into the company's consolidated financial statements using a one-month lag period. In 2021, the reporting lag was eliminated resulting in one additional month of Wirtgen activity in fiscal year 2021. The effect was an increase to "Net sales" of $270 million, which the company considers immaterial to construction and forestry's annual net sales. Prior period results were not restated.

Variable Interest Entities

The company consolidates certain VIEs related to retail note securitizations (see Note 14).

The company also has an interest in a joint venture that manufactures construction equipment in Indaiatuba, Brazil for local and overseas markets. The joint venture is a VIE; however, the company is not the primary beneficiary. Therefore, the entity's financial results are not fully consolidated in the company's consolidated financial statements but are included on the equity basis. In 2020, the investment in the joint venture was impaired. The maximum exposure to loss was $9 million and $5 million at October 31, 2021 and November 1, 2020, respectively. On August 19, 2021, the company announced the dissolution of the joint venture with Hitachi Construction Machinery Co., Ltd. and the purchase of the shares in the relevant joint venture manufacturing entities, including the above referenced factory in Indaiatuba, Brazil. Refer to Note 4 for more details.

Argentina

The company has equipment operations and financial services operations in Argentina. The U.S. dollar has historically been the functional currency for the company's Argentina operations, as its business is generally indexed to the U.S. dollar due to the highly inflationary conditions. The Argentine government has certain capital and currency controls that restrict the company's ability to access U.S. dollars in Argentina and remit earnings from its Argentine operations. As of October 31, 2021, the company's net investment in Argentina was approximately $578 million. The company's net investment in its Argentine operations is likely to increase as Deere generates net income that is unable to be remitted. Net sales and revenues from the company's Argentine operations represented approximately 1 percent of consolidated net sales and revenues for 2021. The company has employed mechanisms to convert Argentine pesos into U.S. dollars to the extent possible. The net peso exposure as of October 31, 2021 was approximately $3 million. Argentine peso-denominated monetary assets and liabilities are remeasured at each balance sheet date using the official currency exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are significant accounting policies in addition to those included in other notes to the consolidated financial statements.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. The COVID pandemic has resulted in uncertainties in the company's business, which may result in actual results differing from those estimates.

Revenue Recognition

Sales of equipment and service parts are recognized when each of the following criteria are met: (1) the company and an independent customer approve a contract with commercial substance, (2) the sales price is determinable and collectability of the payments are probable based on the terms outlined in the contract, and (3) control of the goods has transferred to the independent customer. In most situations, the independent customer is a dealer, which subsequently sells the equipment and service parts purchased from the company to a retail customer, who can finance the equipment with the financial services segment or another source of financing. In some situations, the company sells directly to a retail customer. The term "customer" includes both dealers and retail customers to whom the company makes direct sales. Transfer of control generally occurs for equipment and service parts when the good is delivered as specified in the contract and the risks and rewards of ownership are transferred. In the U.S. and most international locations, this transfer occurs primarily when goods are shipped. In Canada and some other international locations, certain goods are shipped to dealers on a consignment basis under which the risks and rewards of ownership are not transferred to the dealer at the time the goods are shipped. Accordingly, in these locations, sales are not recorded until a retail customer has purchased the goods. Generally, no right of return exists on sales of equipment.

In limited instances, equipment is transferred to a customer or a financial institution with an obligation to repurchase the equipment for a specified amount, which is exercisable at the customer's option. When the equipment is expected to be repurchased, those arrangements are accounted for as leases. No sale is recorded at the time of the equipment transfer and the difference between sale price and the specified repurchase amount is recognized as revenue on a straight-line basis until the customer's option expires. When this equipment is not expected to be repurchased, a sale is recorded with a return obligation.

Under the terms of sales agreements with dealers, interest-free periods are determined based on the type of equipment sold and the time of year of the sale. These periods range from one to twelve months for most equipment. Interest-free periods may not be extended. Interest is primarily charged to dealers on outstanding balances, from the earlier of the date when goods are sold to a retail customer by the dealer or the expiration of the interest-free period granted at the time of the sale to the dealer, until payment is received by the company. Interest charged may not be forgiven and the past due interest rates exceed market rates. In 2020 and to a much lesser extent in 2021, short-term payment relief was provided to dealers due to the economic effects of COVID (see Note 13). Dealers cannot cancel purchases after the company recognizes a sale and are responsible for payment even if the equipment is not sold to retail customers. If the interest-free or below market interest rate period exceeds one year, the company adjusts the expected sales revenue for the effects of the time value of money using a current market interest rate. The revenue related to the financing component is recognized in "Finance and interest income" using the interest method. The company does not adjust the sales price to account for a financing component if the expected interest-free or below market period is one year or less.

Service parts and certain attachments returns are estimable and accrued at the time a sale is recognized. The estimated returns are recorded in "Other assets" for the inventory value of estimated returns, adjusted for restocking fees. The estimated dealer refund liability, adjusted for restocking fees, is recorded in "Accounts payable and accrued expenses." The estimated returns are based on historical return rates, current dealer inventory levels, and current economic conditions.

The company remanufactures used engines and components (cores) that are sold to dealers and retail customers for maintenance and repair parts. Revenue for remanufactured components is recognized using the same criteria as other parts sales. When a remanufactured part is sold, the company collects a deposit that is repaid if the customer returns a core that meets certain specifications within a defined time period. The deposit received from the customer is recognized as a liability in "Accounts payable and accrued expenses" and the used component that is expected to be returned is recognized in "Other assets" in the consolidated balance sheet. When a customer returns a core, the deposit is repaid, the liability reversed, and the returned core is recorded in inventory to be remanufactured and sold to another customer. If a core is not returned within the required time, the deposit is recognized as revenue in "Net sales," and the estimated core return is recorded as an expense in "Cost of sales" in the statement of consolidated income.

Certain equipment is sold with precision guidance, telematics, and other information gathering and analyzing capabilities. These technology solutions require hardware, software, and may include an obligation to provide services for a period of time. These solutions are generally bundled with the sale of the equipment but can also be purchased or renewed separately. The revenue related to the hardware and embedded software is generally recognized at the time of the equipment sale and recorded in "Net sales" in the statement of consolidated income. The revenue for the future services is generally deferred and recognized over the service period. The deferred revenue is recorded as a contract liability in "Accounts payable and accrued expenses" in the consolidated balance sheet and is recognized in "Other income" with the

associated expenses recognized in "Other operating expenses" in the statement of consolidated income.

Financing revenue is recorded over the lives of the related receivables using the interest method. Deferred costs on the origination of financing receivables are recognized as a reduction in "Finance and interest income" over the expected lives of the receivables using the interest method. Income and deferred costs on the origination of operating leases are recognized on a straight-line basis over the scheduled lease terms in "Finance and interest income."

Sales Incentives

In certain markets, the company provides sales incentives to dealers. These incentives may be based on a dealer's purchase volume or on retail sales incentive programs for allowances and financing programs that will be due when the dealer sells the equipment to a retail customer. At the time of the sale to a dealer, the company records an estimated cost of these programs as a reduction to the sales price. The estimated cost is based on historical data, announced and expected incentive programs, field inventory levels, and forecasted sales volumes. The final cost of these programs is determined at the end of the measurement period for volume-based incentives or when the dealer sells the equipment to a retail customer. Actual cost differences from the original cost estimate are recognized in "Net sales."

Product Warranties

For most equipment and service parts sales, the company provides a standard warranty to provide assurance that the equipment will function as intended for a specified period. At the time a sale is recognized, the estimated future warranty costs are recorded. The company generally determines its total warranty liability by applying historical warranty claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The historical claims rate is primarily determined by a review of five-year claims costs with consideration of current quality developments. The company also offers extended warranty arrangements for purchase at the customer's option. The premiums for extended warranties are recognized in "Other income" in the statement of consolidated income primarily in proportion to the costs expected to be incurred over the contract period. The unamortized extended warranty premiums (deferred revenue) are recorded in "Accounts payable and accrued expenses" in the consolidated balance sheet (see Note 21).

Sales and Transaction Taxes

The company collects and remits taxes assessed by different governmental authorities that are both imposed on and concurrent with revenue producing transactions between the company and its customers. These taxes include sales, use, value-added, and some excise taxes. The company elected to exclude these taxes from the determination of the sales price (excluded from revenues).

Contract Costs

Incremental costs of obtaining an equipment revenue contract are recognized as an expense when incurred since the amortization period would be one year or less.

Advertising Costs

Advertising costs are charged to expense as incurred. This expense was $212 million in 2021, $196 million in 2020, and $215 million in 2019.

Depreciation and Amortization

Property and equipment, capitalized software, and other intangible assets are generally stated at cost less accumulated depreciation or amortization. These assets are depreciated over their estimated useful lives generally using the straight-line method. Equipment on operating leases is depreciated over the terms of the leases using the straight-line method. Property and equipment expenditures for new and revised products, increased capacity, and the replacement or major renewal of significant items are capitalized. Expenditures for maintenance, repairs, and minor renewals are generally charged to expense as incurred.

Securitization of Receivables

Certain financing receivables are periodically transferred to special purpose entities (SPEs) in securitization transactions (see Note 14). These securitizations qualify as collateral for secured borrowings and no gains or losses are recognized at the time of securitization. The receivables remain on the balance sheet and are classified as "Financing receivables securitized - net." The company recognizes finance income over the lives of these receivables using the interest method.

Receivables and Allowances

All financing and trade receivables are reported on the balance sheet at outstanding principal and accrued interest, adjusted for any write-offs, the allowance for credit losses, and any unamortized deferred fees or costs on originated financing receivables. The company also records an allowance and provision for credit losses related to the receivables from sales (trade receivables and certain financing receivables). The allowance is a reduction to the receivable balances and the provision is recorded in "Selling, administrative and general expenses." The allowance represents an estimate of the credit losses expected over the life of the receivable portfolio. The company measures expected credit losses on a collective basis when similar risk characteristics exist. Risk characteristics considered by the company include finance product category, market, geography, credit risk, and remaining duration. Receivables that do not share risk characteristics with other receivables in the portfolio are evaluated on an individual basis.

The company utilizes loss forecast models, which are selected based on the size and credit risk of the underlying pool of receivables, to estimate expected credit losses. Transition matrix models are used for large and complex retail customer receivable pools, while weighted average remaining maturity models are used for smaller and less complex retail customer receivable pools. Expected credit losses on wholesale receivables are based on historical loss rates, with consideration of current economic conditions and dealer financial risk. The modeled expected credit losses are adjusted based on reasonable and supportable forecasts, which may include economic indicators such as commodity prices, industry equipment sales, unemployment rates, and housing

starts. Management reviews each model's output quarterly, and qualitative adjustments are incorporated as necessary. Receivables are written-off to the allowance when the account is considered uncollectible (see Note 13).

Impairment of Long-Lived Assets, Goodwill, and Other Intangible Assets

The company evaluates the carrying value of long-lived assets (including equipment on operating leases, property and equipment, goodwill, and other intangible assets) when events or circumstances warrant such a review. Goodwill and unamortized intangible assets are tested for impairment annually at the end of the third quarter of each fiscal year, and more often if events or circumstances indicate a reduction in the fair value below the carrying value. Goodwill is allocated and reviewed for impairment by reporting unit. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, the impairment is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit. If the carrying value of the long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset (see Notes 5 and 26).

Derivative Financial Instruments

The company's policy is derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. The company's financial services operations manage the relationship of the types and amounts of their funding sources to their receivable and lease portfolio in an effort to diminish risk due to interest rate and foreign currency fluctuations, while responding to favorable financing opportunities. The company also has foreign currency exposures at some of its foreign and domestic operations related to buying, selling, and financing in currencies other than the functional currencies. In addition, the company has interest rate exposure at certain equipment operations units for below market retail financing programs that are used as sales incentives and are offered for extended periods.

All derivatives are recorded at fair value on the balance sheet. Cash collateral received or paid is not offset against the derivative fair values on the balance sheet. Each derivative is designated as a cash flow hedge, fair value hedge, or remains undesignated. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income (OCI) and reclassified to the income statement when the effects of the item being hedged are recognized in the income statement. Changes in the fair value of derivatives that are designated and effective as fair value hedges are recognized currently in net income. These changes are offset in net income by fair value changes related to the risk being hedged on the hedged item. Changes in the fair value of undesignated hedges are recognized currently in the income statement.

All designated hedges are formally documented as to the relationship with the hedged item as well as the risk-management strategy. Both at inception and on an ongoing basis the hedging instrument is assessed as to its effectiveness. If and when a derivative is determined not to be highly effective as a hedge, the underlying hedged transaction is no longer likely to occur, the hedge designation is removed, or the derivative is terminated, hedge accounting is discontinued (see Note 27).

Foreign Currency Translation

The functional currencies for most of the company's foreign operations are their respective local currencies. The assets and liabilities of these operations are translated into U.S. dollars at the end of the period exchange rates. The revenues and expenses are translated at weighted-average rates for the period. The gains or losses from these translations are recorded in OCI. Gains or losses from transactions denominated in a currency other than the functional currency of the subsidiary involved and foreign exchange derivative contracts are included in net income. The pretax net gain (loss) for foreign exchange in 2021, 2020, and 2019 was $(134) million, $18 million, and $(13) million, respectively.

3. NEW ACCOUNTING STANDARDS

New Accounting Standards Adopted

In the first quarter of 2021, the company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments, which establishes Accounting Standards Codification (ASC) 326, Financial Instruments - Credit Losses. This ASU was adopted using a modified-retrospective approach. The ASU, along with related amendments, revised the measurement of credit losses for financial assets measured at amortized cost from an incurred loss to an expected loss methodology. The ASU affects receivables, debt securities, net investment in leases, and most other financial assets that represent a right to receive cash.

The company holds deposits from dealers (dealer deposits), which are recorded in "Accounts payable and accrued expenses" to absorb certain credit losses. Prior to adopting this ASU, the allowance for credit losses was estimated on probable credit losses incurred after consideration of recoveries from dealer deposits. The ASU considers dealer deposits and certain credit insurance contracts as freestanding credit enhancements. As a result, after adoption, credit losses recovered from dealer deposits and certain credit insurance contracts are presented in "Other income" and no longer as part of the allowance for credit losses or the provision for credit losses. The ASU also modified the treatment of the estimated write-off of delinquent receivables by no longer including the estimated benefit of charges to the dealer deposits in the write-off amount. This change increases the estimated write-offs on delinquent financing receivables with the benefit of credit losses recovered from dealer deposits presented in "Other income." This benefit, in both situations, is recorded when the dealer deposits are charged and no longer based on estimated recoveries.

The effects of adopting the ASU on the consolidated balance sheet were as follows in millions of dollars:

	November 1 2020	Cumulative Effect from Adoption	November 2 2020
Assets			
Trade accounts and note receivable - net	$ 4,171	$ 2	$ 4,173
Financing receivables - net	29,750	(27)	29,723
Financing receivables securitized - net	4,703	(4)	4,699
Deferred income taxes	1,499	1	1,500
Liabilities			
Accounts payable and accrued expenses	$ 10,112	$ 14	$ 10,126
Deferred income taxes	519	(7)	512
Stockholders' equity			
Retained earnings	$ 31,646	$ (35)	$ 31,611

Note 13 contains additional disclosures, while the company's updated allowance for credit losses accounting policy is included in Note 2 and the MD&A's Critical Accounting Estimates.

The company also adopted the following standards in 2021, none of which had a material effect on the company's consolidated financial statements:

Accounting Standards Updates
No. 2018-15 — Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which amends ASC 350-40, Intangibles – Goodwill and Other – Internal-Use Software
No. 2019-04 — Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments
No. 2021-01 — Reference Rate Reform (Topic 848): Scope

New Accounting Standards to be Adopted

The company will adopt the following standards in future periods, none of which are expected to have a material effect on the company's consolidated financial statements:

Accounting Standards Updates
No. 2019-12 — Simplifying the Accounting for Income Taxes, which amends ASC 740, Income Taxes
No. 2020-08 — Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs

4. ACQUISITIONS AND DISPOSITIONS

Pending Acquisitions

In August 2021, the company and Hitachi Construction Machinery Co., Ltd. (Hitachi) entered into a Joint Venture Dissolution Agreement (Dissolution Agreement) pursuant to which the parties agreed to voluntarily terminate (Termination) the joint venture agreement dated May 16, 1988 between the company and Hitachi. The joint venture agreement governs the terms of the joint venture between the company and Hitachi for the manufacture and distribution of excavators in North, Central, and South America under the John Deere and Hitachi trademarks and tradenames. In connection with the Termination, the company will purchase all of Hitachi's shares in the relevant joint venture manufacturing entities located in Kernersville, North Carolina, U.S.; Langley, British Columbia, Canada; and Indaiatuba, Brazil. The company will receive certain intellectual property rights relating to certain manufacturing processes under a perpetual license agreement. The initial cash consideration consists of $275 million for the shares and an intellectual property license. The cash consideration will be offset by cash acquired and the settlement of intercompany balances. The company will also assume substantially all liabilities and debt of the joint venture entities. In addition to the foregoing payments, Hitachi will pay the book value of certain pre-existing inventory. Following the Termination, the company will purchase John Deere-branded excavators, components, and service parts from Hitachi under a new supply agreement with a duration that ranges from 5 to 30 years. The company will also continue to manufacture 10-50 metric ton John Deere-branded excavators. The Termination is expected to close during the first half of fiscal year 2022, subject to the receipt of certain required regulatory approvals and satisfaction of certain other customary closing conditions. The company expects to fund the initial consideration and the transaction expenses from cash on hand.

Acquisitions

Bear Flag

In August 2021, the company acquired Bear Flag Robotics, Inc. (Bear Flag) to further accelerate Deere's development and delivery of advanced technology. Bear Flag's technology is complementary to other Deere technology efforts and enables autonomous tractor operations. The total cash purchase price before final adjustments, net of cash acquired of $4 million, was $225 million, with an additional $25 million to be recognized as compensation expense over the four-year post-acquisition service period. In addition to the cash purchase price, $19 million of liabilities were assumed. The preliminary asset and liability fair values at the acquisition date in millions of dollars follow:

	August 2021
Property and equipment	$ 1
Goodwill	189
Other intangible assets	54
Total assets	$ 244
Accounts payable and accrued expenses	$ 1
Deferred income taxes	18
Total liabilities	$ 19

The identified intangible was related to technology with a seven-year amortization period. The goodwill will not be deductible for tax purposes.

Unimil

In September 2020, the company acquired Unimil, a leading Brazilian company in the after-sales service parts business for sugarcane harvesters, which is based in Piracicaba, Brazil. The total cash purchase price, net of cash acquired of $5 million, was $66 million, with $6 million funded to an escrow to secure certain indemnity obligations. In addition to the cash purchase price, $14 million of liabilities were assumed. The asset and liability fair values at the acquisition date in millions of dollars follow:

	September 2020
Trade accounts and notes receivable	$ 5
Other receivables	2
Inventories	10
Property and equipment	22
Goodwill	28
Other intangible assets	13
Total assets	$ 80
Accounts payable and accrued expenses	$ 5
Deferred income taxes	9
Total liabilities	$ 14

The identified intangibles were primarily related to customer relationships, trade name, and a non-compete agreement. The weighted-average amortization period is approximately nine years. The goodwill is not deductible for tax purposes.

For the acquisitions, the goodwill was the result of future cash flows and related fair value exceeding the fair value of the identified assets and liabilities. The results of these operations have been included in the company's consolidated financial statements in the production and precision agriculture operating segment and the pro forma results of operations as if these acquisitions had occurred at the beginning of the current or comparative fiscal year would not differ significantly from the reported results.

Dispositions

In September 2020, the company sold its German lawn mower business. At the time of the sale, total assets were $26 million, which were recorded in "Other assets," and total liabilities were $5 million, which were recorded in "Accounts payable and accrued expenses." No cash proceeds were received, resulting in a loss on sale, including transaction costs, of $24 million pretax and after-tax. The loss was recorded with a pretax and after-tax accrual recognized in the third quarter of 2020 when a definitive sale agreement was finalized. The loss was recorded in "Other operating expenses" in the small agriculture and turf segment.

In October 2019, the company sold its construction and forestry retail locations in Canada. At the time of the sale, total assets were $187 million consisting of inventory of $138 million, property and equipment – net of $24 million, other assets of $3 million, and goodwill of $22 million. The liabilities consisted of $10 million of accounts payable and accrued expenses. In addition, the company accrued $15 million for transaction expenses and related costs. The total proceeds from the sale were approximately $187 million, with $93 million received in 2019. The remaining sales price was due based on standard payment terms of new equipment sales to independent dealers and separately negotiated terms ranging from 12 months to five years. A pretax loss of approximately $5 million was recorded in "Other operating expenses" in the construction and forestry segment.

For the retail location disposition, the company sells equipment, service parts, and provides other services to the purchaser as an independent dealer.

5. SPECIAL ITEMS

In 2021, the company sold a closed factory that previously produced small agricultural equipment in China, resulting in a $27 million pretax gain. The fixed assets in an asphalt plant factory in Germany were impaired by $38 million, pretax and after-tax. The company also continued to assess its manufacturing locations, resulting in additional long-lived asset impairments of $12 million pretax. The impairments were the result of a decline in forecasted financial performance that indicated it was probable future cash flows would not cover the carrying amount of the net assets. The company recognized a favorable indirect tax ruling in Brazil of $58 million pretax. See Note 26 for fair value measurement information.

Expense (benefit):	PPA	SAT	CF	Total
Gain on sale – Other income		$ (27)		$ (27)
Long-lived asset impairments – Cost of sales	$ 5	3	$ 42	50
Brazil indirect tax – Cost of sales	(53)		(5)	(58)
Total pretax expense (benefit)	$ (48)	$ (24)	$ 37	$ (35)

In 2020, the company closed a factory that produced small agricultural equipment in China, recognized impairments in the fixed assets in an asphalt plant factory in Germany, a construction equipment factory in Brazil, and other international locations, recorded impairments of equipment on operating leases and matured lease inventory, as well as impairments of the investment in certain affiliate companies. See Note 26 for a description of the valuation methodologies used to measure these impairments.

	PPA	SAT	CF	FS	Total
Factory closure – Cost of sales		$ 20			$ 20
Long-lived asset impairments:					
Cost of sales		13	$ 80		93
SA&G expenses	$ 2	2			4
Other operating expenses				$ 32	32
Affiliate company impairments – Equity in loss of unconsolidated affiliates			50		50
Total pretax impairments and closure costs	$ 2	$ 35	$ 130	$ 32	$ 199

In the fourth quarter of 2019, the company recorded non-cash charges in "Other operating expenses" of approximately $59 million pretax for the impairment of equipment on operating leases and approximately $18 million pretax on matured operating lease inventory recorded in "Other assets." The impairment was the result of lower estimated values of used agriculture and construction equipment than originally estimated with the probable effect that the future cash flows would not cover the carrying amount of the net assets. The assets are part of the financial services operations (see Note 26).

Employee-Separation Programs

During 2020, the company implemented employee-separation programs for the company's salaried workforce in several geographic areas, including the U.S., Europe, Asia, and Latin America. The programs' main purpose was to improve efficiency through a leaner, more flexible organization. The programs were largely voluntary in nature with the expense recorded primarily in the period in which the employees irrevocably accepted a separation offer. For the limited involuntary employee-separation programs, the expense was recorded when management committed to a plan, the plan was communicated to the employees, and the employees were not required to provide service beyond the legal notification period. The programs provided for cash payments based on years of service, and in some countries subsidized healthcare for a limited period and outplacement services.

The programs' total pretax expenses in 2020 were as follows:

	PPA	SAT	CF	FS	Total
Cost of sales	$ 51	$ 31	$ 22		$ 104
Research and development expenses	29	18	8		55
Selling, administrative and general expenses	53	43	24	$ 15	135
Total operating profit impact	$ 133	$ 92	$ 54	$ 15	294
Non-operating profit impact*					41
Total pretax expense					$ 335

* Relates primarily to non-cash charges of $34 million from curtailments in certain OPEB plans (see Note 8) and other corporate expenses, both of which were recorded outside of operating profit. Approximately $6 million of the curtailment charge was recorded by financial services.

During 2019, the company also completed certain employee-separation programs designed for specific functions and geographic areas as part of its on-going efforts to create a more efficient organizational structure. These programs provided for cash payments based on years of service. The expenses were recorded in the period the employees irrevocably accepted the separation offer with the following total pretax expenses:

	PPA	SAT	CF	FS	Total
Cost of sales	$ 3	$ 2			$ 5
Research and development expenses	1				1
Selling, administrative and general expenses	7	6	$ 2	$ 9	24
Total pretax expense	$ 11	$ 8	$ 2	$ 9	$ 30

Redeemable Noncontrolling Interest

In 2020, the minority interest holder in Hagie Manufacturing Company, LLC exercised its right to sell the remaining 20 percent interest to the company for $14 million. The arrangement was accounted for as an equity transaction with no gain or loss recorded in the statement of consolidated income. This operation is included in the company's production and precision agriculture segment.

6. REVENUE RECOGNITION

The company's net sales and revenues by primary geographic market, major product line, and timing of revenue recognition in millions of dollars follow:

	PPA	SAT	CF	FS	Total
2021					
Primary geographic markets:					
United States	$ 8,223	$ 6,505	$ 5,697	$ 2,389	$ 22,814
Canada	853	498	1,047	617	3,015
Western Europe	2,086	2,433	1,807	103	6,429
Central Europe and CIS	1,322	475	828	39	2,664
Latin America	2,916	456	903	247	4,522
Asia, Africa, Australia, New Zealand, and Middle East	1,417	1,679	1,331	153	4,580
Total	$ 16,817	$ 12,046	$ 11,613	$ 3,548	$ 44,024
Major product lines:					
Production agriculture	$ 16,248				$ 16,248
Small agriculture		$ 8,619			8,619
Turf		2,853			2,853
Construction			$ 4,684		4,684
Compact construction			1,489		1,489
Roadbuilding			3,749		3,749
Forestry			1,280		1,280
Financial products	55	46	20	$ 3,548	3,669
Other	514	528	391		1,433
Total	$ 16,817	$ 12,046	$ 11,613	$ 3,548	$ 44,024
Revenue recognized:					
At a point in time	$ 16,659	$ 11,969	$ 11,522	$ 105	$ 40,255
Over time	158	77	91	3,443	3,769
Total	$ 16,817	$ 12,046	$ 11,613	$ 3,548	$ 44,024

	PPA	SAT	CF	FS	Total
2020					
Primary geographic markets:					
United States	$ 6,889	$ 5,059	$ 4,548	$ 2,500	$ 18,996
Canada	640	350	802	598	2,390
Western Europe	1,827	1,937	1,479	90	5,333
Central Europe and CIS	898	493	646	35	2,072
Latin America	1,902	334	553	234	3,023
Asia, Africa, Australia, New Zealand, and Middle East	1,119	1,322	1,153	132	3,726
Total	$ 13,275	$ 9,495	$ 9,181	$ 3,589	$ 35,540
Major product lines:					
Production agriculture	$ 12,662				$ 12,662
Small agriculture		$ 6,827			6,827
Turf		2,390			2,390
Construction			$ 3,521		3,521
Compact construction			1,269		1,269
Roadbuilding			2,924		2,924
Forestry			1,100		1,100
Financial products	69	37	25	$ 3,589	3,720
Other	544	241	342		1,127
Total	$ 13,275	$ 9,495	$ 9,181	$ 3,589	$ 35,540
Revenue recognized:					
At a point in time	$ 13,106	$ 9,439	$ 9,071	$ 106	$ 31,722
Over time	169	56	110	3,483	3,818
Total	$ 13,275	$ 9,495	$ 9,181	$ 3,589	$ 35,540

	PPA	SAT	CF	FS	Total
2019					
Primary geographic markets:					
United States	$ 6,772	$ 5,590	$ 6,082	$ 2,482	$ 20,926
Canada	675	421	1,107	617	2,820
Western Europe	1,813	2,053	1,586	87	5,539
Central Europe and CIS	859	564	749	37	2,209
Latin America	2,527	367	719	272	3,885
Asia, Africa, Australia, New Zealand, and Middle East	1,039	1,449	1,265	126	3,879
Total	$ 13,685	$ 10,444	$ 11,508	$ 3,621	$ 39,258
Major product lines:					
Production agriculture	$ 13,001				$ 13,001
Small agriculture		$ 7,422			7,422
Turf		2,650			2,650
Construction			$ 5,188		5,188
Compact construction			1,279		1,279
Roadbuilding			3,193		3,193
Forestry			1,403		1,403
Financial products	78	22	30	$ 3,621	3,751
Other	606	350	415		1,371
Total	$ 13,685	$ 10,444	$ 11,508	$ 3,621	$ 39,258
Revenue recognized:					
At a point in time	$ 13,509	$ 10,406	$ 11,391	$ 111	$ 35,417
Over time	176	38	117	3,510	3,841
Total	$ 13,685	$ 10,444	$ 11,508	$ 3,621	$ 39,258

Following is a description of the company's major product lines:

Production Agriculture – Includes net sales of large and certain mid-size tractors and associated attachments, combines, cotton pickers, cotton strippers, sugarcane harvesters, sugarcane loaders and pull behind scrapers, tillage, seeding, and application equipment, including sprayers and nutrient management and soil preparation machinery, and related attachments and service parts.

Small Agriculture – Includes net sales of mid-size and utility tractors, self-propelled forage harvesters, hay and forage equipment, balers, mowers, and related attachments and service parts.

Turf – Includes net sales of turf and utility equipment, including riding lawn equipment, golf course equipment, utility vehicles, and commercial mowing equipment, along with a broad line of associated implements, other outdoor power products, and related attachments and service parts.

Construction – Includes net sales of a broad range of machines used in construction, earthmoving, and material handling, including backhoe loaders, crawler dozers and loaders, four-wheel-drive loaders, excavators, motor graders, articulated dump trucks, and related attachments and service parts.

Compact Construction – Includes net sales of smaller construction equipment, including compact excavators, compact track loaders, compact wheel loaders, skid steers, landscape loaders, and related attachments and service parts.

Roadbuilding – Includes net sales of equipment used in roadbuilding and renovation, including milling machines, recyclers, slipform pavers, surface miners, asphalt pavers, compactors, tandem and static rollers, mobile crushers and screens, mobile and stationary asphalt plants, and related attachments and service parts.

Forestry – Includes net sales of equipment used in timber harvesting, including log skidders, feller bunchers, log loaders, log forwarders, log harvesters, and related attachments and service parts.

Financial Products – Includes finance and interest income primarily from retail notes related to sales of John Deere equipment to retail customers, wholesale financing to dealers of John Deere equipment, and revolving charge accounts; lease income from retail leases of John Deere equipment; and revenue from extended warranties.

Other – Includes sales of components to other equipment manufacturers that are included in "Net sales"; and revenue earned over time from precision guidance, telematics, and other information enabled solutions, revenue from service performed at company owned dealerships and service centers, gains on disposition of property and businesses, trademark licensing revenue, and other miscellaneous revenue items that are included in "Other income."

The company invoices in advance of recognizing the sale of certain products and the revenue for certain services. These items are primarily for extended warranty premiums, advance payments for future equipment sales, and subscription and service revenue related to precision guidance and telematic services. These advanced customer payments are presented as deferred revenue, a contract liability, in "Accounts payable and accrued expenses" in the consolidated balance sheet. The deferred revenue received, but not recognized in revenue, including extended warranty premiums also shown in Note 21, was $1,344 million and $1,090 million at October 31, 2021 and November 1, 2020, respectively. The contract liability is reduced as the revenue is recognized. Revenue recognized from deferred revenue that was recorded as a contract liability at the beginning of the fiscal year was $485 million in 2021, $425 million in 2020, and $444 million in 2019.

The amount of unsatisfied performance obligations for contracts with an original duration greater than one year is $1,062 million at October 31, 2021. The estimated revenue to be recognized by fiscal year follows in millions of dollars: 2022 - $339, 2023 - $289, 2024 - $199, 2025 - $101, 2026 - $64, and later years - $70. As permitted, the company elected only to disclose remaining performance obligations with an original contract duration greater than one year. The contracts with an expected duration of one year or less are generally for sales to dealers and retail customers for equipment, service parts, repair services, and certain telematics services.

7. CASH FLOW INFORMATION

The company considers investments with purchased maturities of three months or less to be cash equivalents. Substantially all of the company's short-term borrowings, excluding the current maturities of finance lease obligations and long-term borrowings, mature or may require payment within three months or less.

The equipment operations sell a significant portion of their trade receivables to financial services. These intercompany cash flows are eliminated in the consolidated cash flows.

All cash flows from the changes in trade accounts and notes receivable (see Note 13) are classified as operating activities in the statement of consolidated cash flows as these receivables arise from sales to the company's customers. Cash flows from financing receivables that are related to sales to the company's customers (see Note 13) are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The company had the following non-cash operating and investing activities that were not included in the statement of consolidated cash flows. The company transferred inventory to equipment on operating leases of $662 million, $614 million, and $678 million in 2021, 2020, and 2019, respectively. The company also had accounts payable related to purchases of property and equipment of $121 million, $98 million, and $152 million at October 31, 2021, November 1, 2020, and November 3, 2019, respectively.

The company's restricted cash held at October 31, 2021, November 1, 2020, and November 3, 2019 was as follows in millions of dollars:

	2021	2020	2019
Equipment operations	$ 12	$ 11	$ 21
Financial services	96	95	78
Total	$ 108	$ 106	$ 99

The restricted cash, recorded in "Other assets" in the consolidated balance sheet, primarily relates to securitization of financing receivables (see Note 14).

Cash payments for interest and income taxes consisted of the following in millions of dollars:

	2021	2020	2019
Interest:			
Equipment operations	$ 584	$ 553	$ 666
Financial services	736	998	1,154
Intercompany eliminations	(279)	(272)	(360)
Consolidated	$ 1,041	$ 1,279	$ 1,460
Income taxes:			
Equipment operations	$ 1,996	$ 1,000	$ 1,018
Financial services	348	297	(57)
Intercompany eliminations	(269)	(228)	150
Consolidated	$ 2,075	$ 1,069	$ 1,111

8. PENSION AND OTHER POSTRETIREMENT BENEFITS

The company has several funded and unfunded defined benefit pension plans and other postretirement benefit (OPEB) plans, primarily health care and life insurance plans, covering its U.S. employees and employees in certain foreign countries. The company uses an October 31 measurement date for these plans.

The components of net periodic pension cost and the assumptions related to the cost consisted of the following in millions of dollars and in percentages:

	2021	2020	2019
Pensions			
Service cost	$ 332	$ 321	$ 261
Interest cost	276	347	447
Expected return on plan assets	(799)	(819)	(802)
Amortization of actuarial loss	259	256	148
Amortization of prior service cost	12	13	11
Settlements/curtailments	21	25	5
Net cost	$ 101	$ 143	$ 70
Weighted-average assumptions			
Discount rates - service cost	2.5%	2.9%	4.0%
Discount rates - interest cost	2.1%	2.7%	4.0%
Rate of compensation increase	3.7%	3.8%	3.8%
Expected long-term rates of return	6.0%	6.4%	6.5%
Interest crediting rate - U.S. cash balance plan	1.7%	2.1%	3.3%

The components of net periodic OPEB cost and the assumptions related to the cost consisted of the following in millions of dollars and in percentages:

	2021	2020	2019
OPEB			
Service cost	$ 48	$ 49	$ 41
Interest cost	102	140	216
Expected return on plan assets	(77)	(50)	(36)
Amortization of actuarial loss	27	29	16
Amortization of prior service credit	(4)	(4)	(72)
Curtailments		34	
Net cost	$ 96	$ 198	$ 165
Weighted-average assumptions			
Discount rates - service cost	3.4%	3.7%	4.8%
Discount rates - interest cost	2.1%	2.7%	4.2%
Expected long-term rates of return	5.4%	5.7%	5.7%

The 2020 OPEB curtailments were a result of the employee-separation programs (see Note 5).

The spot yield curve approach is used to estimate the service and interest cost components of the net periodic pension and OPEB costs by applying the specific spot rates along the yield curve used to determine the benefit plan obligations to relevant projected cash outflows. The components of net periodic pension and OPEB cost excluding the service component are primarily included in the line item "Other operating expenses" in the statement of consolidated income.

The previous pension cost in net income and other changes in plan assets and benefit obligations in other comprehensive income in millions of dollars were as follows:

	2021	2020	2019
Pensions			
Net cost	$ 101	$ 143	$ 70
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial (gain) loss	(2,821)	438	887
Amortization of actuarial loss	(256)	(249)	(143)
Amortization of prior service cost	(12)	(11)	(11)
Settlements	(22)	(26)	(3)
Total (gain) loss recognized in other comprehensive (income) loss	(3,111)	152	730
Total recognized in comprehensive (income) loss	$ (3,010)	$ 295	$ 800

The previous OPEB cost in net income and other changes in plan assets and benefit obligations in other comprehensive income in millions of dollars were as follows:

	2021	2020	2019
OPEB			
Net cost	$ 96	$ 198	$ 165
Retirement benefit adjustments included in other comprehensive (income) loss:			
Net actuarial (gain) loss	(671)	(136)	141
Amortization of actuarial loss	(27)	(29)	(16)
Amortization of prior service credit	4	4	72
Total (gain) loss recognized in other comprehensive (income) loss	(694)	(161)	197
Total recognized in comprehensive (income) loss	$ (598)	$ 37	$ 362

The benefit plan obligations, funded status, and the assumptions related to the obligations at October 31, 2021 and November 1, 2020, respectively, in millions of dollars follow:

	Pensions		OPEB	
	2021	2020	2021	2020
Change in benefit obligations				
Beginning of year balance	$ (15,021)	$ (14,250)	$ (5,410)	$ (5,622)
Service cost	(332)	(321)	(48)	(49)
Interest cost	(276)	(347)	(102)	(140)
Actuarial gain (loss)	373	(771)	381	119
Benefits paid	755	749	290	297
Health care subsidies			(29)	(28)
Settlements/curtailments	1	15		
Foreign exchange and other	(25)	(96)	(12)	13
End of year balance	(14,525)	(15,021)	(4,930)	(5,410)
Change in plan assets (fair value)				
Beginning of year balance	14,574	14,024	1,518	936
Actual return on plan assets	3,249	1,144	367	33
Employer contribution	101	108	157	843
Benefits paid	(755)	(749)	(290)	(297)
Settlements		(12)		
Foreign exchange and other	21	59	3	3
End of year balance	17,190	14,574	1,755	1,518
Funded status	$ 2,665	$ (447)	$ (3,175)	$ (3,892)
Weighted-average assumptions				
Discount rates	2.7%	2.5%	2.8%	2.7%
Rate of compensation increase	3.7%	3.7%		
Interest crediting rate - U.S. cash balance plan	1.8%	1.7%		

The company remeasured the U.S. hourly pension plan as of November 30, 2021 due to the new collective bargaining agreement, which decreased the plan's funded status and increased pension expense in 2022. See Note 29 for more information.

The actuarial gain for pension for 2021 was primarily due to an increase in discount rates. The actuarial gain for OPEB for 2021 was primarily due to a decrease in health care trend rates, favorable mortality assumptions, and an increase in discount rates. The actuarial loss for pension for 2020 was primarily due to a decrease in discount rates partially offset by favorable mortality assumptions. The actuarial gain for OPEB for 2020 was primarily due to the U.S. enactment of the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) that repealed the health insurance provider fee effective in 2021, favorable mortality assumptions, and a decrease in health care trend rates, partially offset by a decrease in discount rates.

The mortality assumptions for the 2021 and 2020 benefit plan obligations used the most recent tables and scales issued by the Society of Actuaries at that time. The 2021 mortality assumption includes an adjustment to the scale related to COVID.

The amounts recognized at October 31, 2021 and November 1, 2020, respectively, in millions of dollars consisted of the following:

	Pensions		OPEB	
	2021	2020	2021	2020
Amounts recognized in balance sheet				
Noncurrent asset	$ 3,601	$ 863		
Current liability	(51)	(72)	$ (36)	$ (36)
Noncurrent liability	(885)	(1,238)	(3,139)	(3,856)
Total	$ 2,665	$ (447)	$ (3,175)	$ (3,892)
Amounts recognized in accumulated other comprehensive income – pretax				
Net actuarial loss	$ 1,376	$ 4,475	$ 49	$ 747
Prior service cost (credit)	9	21	(20)	(24)
Total	$ 1,385	$ 4,496	$ 29	$ 723

The total accumulated benefit obligations for all pension plans at October 31, 2021 and November 1, 2020, were $13,787 million and $14,257 million, respectively.

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $2,012 million and $1,207 million, respectively, at October 31, 2021 and $2,107 million and $1,100 million, respectively, at November 1, 2020. The projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $2,163 million and $1,227 million, respectively, at October 31, 2021 and $10,792 million and $9,482 million, respectively, at November 1, 2020.

Actuarial gains and losses are recorded in accumulated other comprehensive income (loss). To the extent unamortized gains and losses exceed 10 percent of the higher of the market-related value of assets or the benefit obligation, the excess is amortized as a component of net periodic cost over the remaining service period of the active participants. For plans in which all or almost all of the plan's participants are inactive, the amortization period is the remaining life expectancy of the inactive participants.

The company makes any required contributions to the plan assets under applicable regulations and voluntary contributions after evaluating the company's liquidity position and ability to make tax-deductible contributions. Total company contributions to the plans were $258 million in 2021 and $951 million in 2020, which included both required and voluntary contributions and direct benefit payments. The voluntary contributions to plan assets were $700 million in 2020.

The company expects to contribute approximately $100 million to its pension plans and approximately $1,150 million to its OPEB plans in 2022. Fiscal year 2022 OPEB contributions include a voluntary contribution of $1,000 million to a U.S. plan made on November 30, 2021 (see Note 29), which will increase plan assets. The pension and OPEB contributions exceeding the voluntary amounts primarily include direct benefit payments from company funds. The company has no significant required contributions to U.S. pension plan assets in 2022 under applicable funding regulations.

The benefits expected to be paid from the benefit plans, which reflect expected future years of service, are as follows in millions of dollars:

	Pensions	OPEB*
2022	$ 730	$ 280
2023	710	279
2024	701	279
2025	693	278
2026	698	278
2027 to 2031	3,426	1,374

* Net of prescription drug group benefit subsidy under Medicare Part D.

The annual rates of increase in the per capita cost of covered health care benefits (the health care cost trend rates) used to determine accumulated postretirement benefit obligations were based on the trends for medical and prescription drug claims for pre- and post-65 age groups due to the effects of Medicare. For the 2021 obligation, the weighted-average composite trend rates were assumed to be a 2.1 percent increase from 2021 to 2022, followed by an increase of 8.4 percent from 2022 to 2023, gradually decreasing to 4.7 from 2028 to 2029 and all future years. The lower estimated increase from 2021 to 2022 resulted from a decrease in Medicare Advantage premiums. The 2020 obligations and the cost in 2021 assumed a 4.0 percent increase from 2020 to 2021, followed by an increase of 7.6 percent from 2021 to 2022, gradually decreasing to 4.7 percent from 2027 to 2028 and all future years. The lower estimated increase from 2020 to 2021 resulted from the SECURE Act that repealed the health insurance provider fee effective in 2021.

The discount rate assumptions used to determine the pension and OPEB obligations for all periods presented were primarily based on hypothetical AA yield curves represented by a series of annualized individual discount rates. These discount rates represent the rates at which the company's benefit obligations could effectively be settled at the October 31 measurement dates.

Fair value measurement levels in the following tables are defined in Note 26.

The fair values of the pension plan assets at October 31, 2021 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 378	$ 355	$ 23
Equity:			
U.S. equity securities	1,151	1,123	28
International equity securities and funds	951	931	20
Fixed Income:			
Government and agency securities	1,475	1,159	316
Corporate debt securities	4,841		4,841
Mortgage-backed securities	144		144
Real estate investment trusts	62	55	7
Derivative contracts - assets	116	37	79
Derivative contracts - liabilities	(75)	(15)	(60)
Receivables, payables, and other	(155)	(177)	22
Securities lending collateral	982	107	875
Securities lending liability	(982)	(107)	(875)
Securities sold short	(139)	(128)	(11)
Total of Level 1 and Level 2 assets	8,749	$ 3,340	$ 5,409
Investments at net asset value:			
Short-term investments	815		
U.S. equity funds	796		
International equity funds	528		
Fixed income funds	1,701		
Real estate funds	566		
Hedge funds	751		
Private equity	1,385		
Venture capital	1,537		
Other investments	362		
Total net assets	$ 17,190		

The fair values of the health care assets at October 31, 2021 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 55	$ 55	
Equity securities and funds	30	29	$ 1
Fixed Income:			
Government and agency securities	243	215	28
Corporate debt securities	307		307
Mortgage-backed securities	10		10
Securities lending collateral	64	20	44
Securities lending liability	(64)	(20)	(44)
Securities sold short	(3)	(3)	
Total of Level 1 and Level 2 assets	642	$ 296	$ 346
Investments at net asset value:			
Short-term investments	20		
U.S. equity funds	619		
International equity funds	358		
Fixed income funds	18		
Real estate funds	42		
Hedge funds	13		
Private equity	18		
Venture capital	20		
Other investments	5		
Total net assets	$ 1,755		

The fair values of the pension plan assets at November 1, 2020 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 309	$ 276	$ 33
Equity:			
U.S. equity securities	1,184	1,135	49
International equity securities	947	937	10
Fixed Income:			
Government and agency securities	1,133	824	309
Corporate debt securities	3,534		3,534
Mortgage-backed securities	136		136
Real estate investment trusts	49	48	1
Derivative contracts - assets	94	2	92
Derivative contracts - liabilities	(79)	(43)	(36)
Receivables, payables, and other	(163)	(184)	21
Securities lending collateral	449	90	359
Securities lending liability	(449)	(90)	(359)
Securities sold short	(149)	(144)	(5)
Total of Level 1 and Level 2 assets	6,995	$ 2,851	$ 4,144
Investments at net asset value:			
Short-term investments	510		
U.S. equity funds	1,246		
International equity funds	674		
Fixed income funds	1,321		
Real estate funds	618		
Hedge funds	750		
Private equity	1,064		
Venture capital	974		
Other investments	422		
Total net assets	$ 14,574		

The fair values of the health care assets at November 1, 2020 follow in millions of dollars:

	Total	Level 1	Level 2
Cash and short-term investments	$ 117	$ 117	
Equity securities and funds	44	43	$ 1
Fixed Income:			
Government and agency securities	180	168	12
Corporate debt securities	66		66
Mortgage-backed securities	13		13
Other	(1)	(1)	
Securities lending collateral	49	8	41
Securities lending liability	(49)	(8)	(41)
Securities sold short	(3)	(3)	
Total of Level 1 and Level 2 assets	416	$ 324	$ 92
Investments at net asset value:			
Short-term investments	9		
U.S. equity funds	539		
International equity funds	320		
Fixed income funds	185		
Hedge funds	12		
Private equity	13		
Venture capital	12		
Other investments	12		
Total net assets	$ 1,518		

Investments at net asset value in the preceding tables are measured at fair value using the net asset value per share practical expedient and are not classified in the fair value hierarchy.

Fair values are determined as follows:

Cash and Short-Term Investments – The investments include (1) cash accounts that are valued based on the account value, which approximates fair value; (2) investments that are valued at quoted prices in the active markets in which the investment trades or using a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data; and (3) investment funds that are valued based on a constant fund net asset value (NAV), which is based on quoted prices in the active market in which the investment fund trades, or the fund's NAV using the NAV per share practical expedient, which is based on the fair value of the underlying securities.

Equity Securities and Funds – The values are determined by quoted prices in the active market in which the equity investment trades, or the fund's NAV, based on the fair value of the underlying securities.

Fixed Income Securities and Funds and Other Funds – The securities are valued using either a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data such as interest rates, yield curves, volatilities, credit risk, and prepayment speeds, or they are valued using the quoted prices in the active market in which the fixed income investment trades. Fixed income and other funds are valued using the fund's NAV, based on the fair value of the underlying securities.

Real Estate, Venture Capital, Private Equity, and Hedge Funds – The investments that are structured as limited partnerships are valued at estimated fair value based on their proportionate share of the limited partnership's fair value that is determined by the respective general partner. These investments are valued using the fund's NAV, which is based on the fair value of the underlying investments. Real estate investment trusts are primarily valued at the quoted prices in the active markets in which the investment trades.

Derivative Instruments – The derivatives are valued using either an income approach (discounted cash flow) using market observable inputs, including swap curves and both forward and spot exchange rates, or a market approach (quoted prices in the active market in which the derivative instrument trades).

The primary investment objective for the pension and health care plans assets is to fulfill the projected obligations to the beneficiaries over a long period of time, while meeting the company's fiduciary responsibilities. The asset allocation policy is the most important decision in managing the assets and it is reviewed regularly. The asset allocation policy considers the company's long-term asset class risk/return expectations for each plan since the obligations are long-term in nature. The current target allocations for pension assets are approximately 26 percent for equity, 55 percent for debt, 4 percent for real estate, and 15 percent for other investments. The target allocations for health care assets are approximately 58 percent for equity, 35 percent for debt, 2 percent for real estate, and 5 percent for other

investments. The allocation percentages above include the effects of combining derivatives with other investments to manage asset allocations and exposures to interest rates and foreign currency exchange. The assets are well diversified and are managed by professional investment firms as well as by investment professionals who are company employees. As a result of the company's diversified investment policy, there were no significant concentrations of risk.

The expected long-term rate of return on plan assets reflects management's expectations of long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. A market related value of plan assets is used to calculate the expected return on assets. The market related value recognizes changes in the fair value of pension plan assets systematically over a five-year period. The market related value of the health care plan assets equals fair value. The expected return is based on the outlook for inflation and for returns in multiple asset classes, while also considering historical returns, asset allocation, and investment strategy. The company's approach has emphasized the long-term nature of the return estimate such that the return assumption is not changed significantly unless there are fundamental changes in capital markets that affect the company's expectations for returns over an extended period of time (i.e., 10 to 20 years). The average annual return of the company's U.S. pension fund was approximately 11.0 percent during the past ten years and approximately 9.3 percent during the past 20 years. Since return premiums over inflation and total returns for major asset classes vary widely even over ten-year periods, recent history is not necessarily indicative of long-term future expected returns. The company's systematic methodology for determining the long-term rate of return for the company's investment strategies supports its long-term expected return assumptions.

The company has created certain Voluntary Employees' Beneficiary Association trusts (VEBAs) for the funding of postretirement health care benefits. The future expected asset returns for these VEBAs are lower than the expected return on the other pension and health care plan assets due to investment in a higher proportion of liquid securities. These assets are in addition to the other postretirement health care plan assets that have been funded under Section 401(h) of the U.S. Internal Revenue Code and maintained in a separate account in the company's pension plan trust.

The company has defined contribution plans related to employee investment and savings plans primarily in the U.S. The company's contributions and costs under these plans were $207 million in 2021, $160 million in 2020, and $192 million in 2019. The contribution rate varies primarily based on the company's performance in the prior year and employee participation in the plans.

9. INCOME TAXES

The provision for income taxes by taxing jurisdiction and by significant component consisted of the following in millions of dollars:

	2021	2020	2019
Current:			
U.S.:			
Federal	$ 899	$ 400	$ 545
State	183	53	72
Foreign	1,017	640	700
Total current	2,099	1,093	1,317
Deferred:			
U.S.:			
Federal	(303)	(68)	(345)
State	(45)	9	(26)
Foreign	(93)	48	(94)
Total deferred	(441)	(11)	(465)
Provision for income taxes	$ 1,658	$ 1,082	$ 852

Based upon the location of the company's operations, the consolidated income before income taxes in the U.S. in 2021, 2020, and 2019 was $4,061 million, $2,082 million, and $2,166 million, respectively, and in foreign countries was $3,541 million, $1,801 million, and $1,922 million, respectively. Certain foreign operations are branches or partnerships of Deere & Company and are subject to U.S. as well as foreign income tax regulations. The pretax income by location and the preceding analysis of the income tax provision by taxing jurisdiction are not directly related.

A comparison of the statutory and effective income tax provision and reasons for related differences in millions of dollars follow:

	2021	2020	2019
U.S. federal income tax provision at the U.S. statutory rate (21 percent)	$ 1,597	$ 815	$ 859
State and local taxes, net of federal effect	119	59	47
Other Impacts of Tax Cuts and Jobs Act of 2017	(85)	39	(101)
Rate differential on foreign subsidiaries	148	106	89
Research and business tax credits	(48)	(50)	(85)
Excess tax benefits on equity compensation	(79)	(87)	(40)
Valuation allowances	18	139	28
Other - net	(12)	61	55
Provision for income taxes	$ 1,658	$ 1,082	$ 852

At October 31, 2021, accumulated earnings in certain subsidiaries outside the U.S. totaled $2,155 million. A provision for foreign withholding taxes has not been made since these earnings are expected to remain indefinitely reinvested outside the U.S. Determination of the amount of a foreign withholding tax liability on these unremitted earnings is not practicable.

Deferred income taxes arise because there are certain items that are treated differently for financial accounting than for income tax reporting purposes. An analysis of the deferred income tax assets and liabilities at October 31, 2021 and November 1, 2020 in millions of dollars follows:

	2021		2020	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
OPEB liabilities	$ 676		$ 804	
Lessor lease transactions		$ 399		$ 489
Tax loss and tax credit carryforwards	1,542		937	
Accrual for sales allowances	466		362	
Tax over book depreciation		154		196
Goodwill and other intangible assets		337		368
Pension - net		448	316	
Allowance for credit losses	78		81	
Accrual for employee benefits	298		249	
Share-based compensation	53		41	
Deferred compensation	49		40	
Lessee lease transactions	46	43	56	56
Unearned revenue	172		22	
Other items	333	341	344	305
Less valuation allowances	(1,530)		(858)	
Deferred income tax assets and liabilities	$ 2,183	$ 1,722	$ 2,394	$ 1,414

Deere & Company files a consolidated federal income tax return in the U.S., which includes the wholly-owned financial services subsidiaries. These subsidiaries account for income taxes generally as if they filed separate income tax returns, with a modification for realizability of certain tax benefits.

At October 31, 2021, tax loss and tax credit carryforwards of $1,542 million were available with $1,068 million expiring from 2022 through 2041 and $474 million with an indefinite carryforward period.

A reconciliation of the total amounts of unrecognized tax benefits at October 31, 2021, November 1, 2020, and November 3, 2019 in millions of dollars follows:

	2021	2020	2019
Beginning of year balance	$ 668	$ 553	$ 279
Increases to tax positions taken during the current year	81	63	30
Increases to tax positions taken during prior years	100	95	357
Decreases to tax positions taken during prior years	(23)	(30)	(30)
Decreases due to lapse of statute of limitations	(12)	(9)	(6)
Settlements	(3)	(1)	(75)
Foreign exchange		(3)	(2)
End of year balance	$ 811	$ 668	$ 553

The amount of unrecognized tax benefits at October 31, 2021 and November 1, 2020 that would impact the effective tax rate if the tax benefits were recognized was $227 million and $134 million, respectively. The remaining liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next twelve months would not be significant.

The company files its tax returns according to the tax laws of the jurisdictions in which it operates, which includes the U.S. federal jurisdiction and various state and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed the examination of the company's federal income tax returns for periods prior to 2015. The federal income tax returns for years 2015, 2016, and 2017 are currently under examination. Various state and foreign income tax returns, including major tax jurisdictions in Argentina, Australia, Brazil, Canada, China, Finland, France, Germany, India, Luxembourg, Mexico, Russia, Singapore, and Spain also remain subject to examination by taxing authorities.

The company's policy is to recognize interest related to income taxes in interest expense and interest income and recognize penalties in selling, administrative and general expenses. During 2021 and 2019, the total amount of expense from interest and penalties was $7 million and $13 million. During 2020, interest and penalties previously recorded were reversed when tax positions were effectively settled resulting in a $3 million net benefit. The interest income in 2021, 2020, and 2019 was $8 million, $11 million, and $25 million, respectively. At October 31, 2021 and November 1, 2020, the liability for accrued interest and penalties totaled $75 million and $72 million, respectively, and the receivable for interest was $11 million and $6 million, respectively.

10. OTHER INCOME AND OTHER OPERATING EXPENSES

The major components of other income and other operating expenses consisted of the following in millions of dollars:

	2021	2020	2019
Other income			
Revenues from services	$ 322	$ 314	$ 348
Insurance premiums and fees earned*	227	223	214
Trademark licensing income	87	73	66
Operating lease disposition gains	65		
Investment income	41	26	25
Other	249	182	226
Total	$ 991	$ 818	$ 879
Other operating expenses			
Depreciation of equipment on operating leases	$ 983	$ 1,083	$ 981
Insurance claims and expenses*	235	231	210
Cost of services	202	188	228
Operating lease residual losses and impairments		52	159
Pension and OPEB benefit, excluding service cost component	(183)	(31)	(67)
Other	106	89	67
Total	$ 1,343	$ 1,612	$ 1,578

* Primarily related to extended warranties (see Note 21).

11. UNCONSOLIDATED AFFILIATED COMPANIES

Unconsolidated affiliated companies are companies in which Deere & Company generally owns 20 percent to 50 percent of the outstanding voting shares. Deere & Company does not control these companies and accounts for its investments in them on the equity basis. The investments in these companies primarily consist of Deere-Hitachi Construction Machinery Corporation (50 percent ownership) and Deere-Hitachi Maquinas de Construcao do Brasil S.A. (50 percent ownership). During 2021, the company sold its investment in Bell Equipment Limited, resulting in no material gain or loss. The company also entered into a Dissolution Agreement with Hitachi to terminate the joint venture agreement. The termination is expected to occur in 2022 (see Note 4). The unconsolidated affiliated companies primarily manufacture or market equipment. Deere & Company's share of the income or loss of these companies is reported in the consolidated income statement under "Equity in income (loss) of unconsolidated affiliates." In 2020, the company recorded impairments on certain unconsolidated affiliates. The impairments were the result of an other-than-temporary decline in value (see Note 5). The investment in these companies is reported in the consolidated balance sheet under "Investments in unconsolidated affiliates."

Combined financial information of the unconsolidated affiliated companies in millions of dollars follows:

Operations	2021	2020	2019
Sales	$ 2,095	$ 1,793	$ 2,483
Net income	51	7	50
Deere & Company's equity in net income (loss)	21	(48)	21

Financial Position	2021	2020
Total assets	$ 1,289	$ 1,541
Total external borrowings	497	540
Total net assets	366	598
Deere & Company's share of the net assets	175	193

Consolidated retained earnings at October 31, 2021 include undistributed earnings of the unconsolidated affiliates of $48 million. Dividends from unconsolidated affiliates were $21 million in 2021, none in 2020, and $30 million in 2019.

In the ordinary course of business, the company purchases and sells components and finished goods to the unconsolidated affiliated companies. Transactions with unconsolidated affiliated companies reported in the statement of consolidated income in millions of dollars follow:

	2021	2020	2019
Net sales	$ 78	$ 81	$ 143
Purchases	1,605	1,288	1,937

12. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale. Realized gains or losses from the sales of marketable securities are based on the specific identification method.

The amortized cost and fair value of marketable securities at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
U.S. equity fund				$ 75
International equity securities				2
Total equity securities				77
U.S. government debt securities	$ 196	$ 5	$ 3	198
Municipal debt securities	69	4		73
Corporate debt securities	215	11	2	224
International debt securities	5		3	2
Mortgage-backed securities*	152	3	1	154
Total debt securities	$ 637	$ 23	$ 9	651
Marketable securities				$ 728
2020				
U.S. equity fund				$ 62
International equity securities				2
Total equity securities				64
U.S. government debt securities	$ 159	$ 10	$ 1	168
Municipal debt securities	63	5		68
Corporate debt securities	173	15		188
International debt securities	9		3	6
Mortgage-backed securities*	140	7		147
Total debt securities	$ 544	$ 37	$ 4	577
Marketable securities				$ 641

* Primarily issued by U.S. government sponsored enterprises.

Equity Securities

Proceeds of equity securities sold during 2021, 2020, and 2019 were not material. Unrealized gains on equity securities during 2021 and 2020 in millions of dollars follow:

	2021	2020
Net gain recognized on equity securities	$ 24	$ 8
Less: Net gain on equity securities sold	2	1
Unrealized gains on equity securities	$ 22	$ 7

Debt Securities

The contractual maturities of debt securities at October 31, 2021 in millions of dollars follow:

	Amortized Cost	Fair Value
Due in one year or less	$ 28	$ 28
Due after one through five years	80	82
Due after five through 10 years	144	147
Due after 10 years	233	240
Mortgage-backed securities	152	154
Debt securities	$ 637	$ 651

Actual maturities may differ from contractual maturities because some securities may be called or prepaid. Because of the potential for prepayment on mortgage-backed securities, they are not categorized by contractual maturity. Proceeds from the sales of debt securities, realized gains, realized losses, the increase (decrease) in net unrealized gains or losses, and unrealized losses that have been continuous for over twelve months were not significant in 2021, 2020, and 2019. Unrealized losses at October 31, 2021 and November 1, 2020 were not recognized in income due to the ability and intent to hold to maturity. There were no significant impairment write-downs in the periods reported.

13. RECEIVABLES

Trade Accounts and Notes Receivable

Trade accounts and notes receivable at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	2021	2020
Trade accounts and notes receivable:		
Production & precision ag	$ 1,204	$ 1,397
Small ag & turf	1,683	1,484
Construction & forestry	1,321	1,290
Trade accounts and notes receivable – net	$ 4,208	$ 4,171

Trade accounts and notes receivable have significant concentrations of credit risk in the agriculture and turf market and construction and forestry market as shown in the previous table. On a geographic basis, there is no disproportionate concentration of credit risk in any area.

The allowance for credit losses on trade accounts and notes receivable at October 31, 2021, November 1, 2020, and November 3, 2019, as well as the related activity, in millions of dollars follow:

	2021	2020	2019
Beginning of year balance	$ 39	$ 72	$ 70
ASU No. 2016-13	(2)		
Provision	10		8
Write-offs	(7)	(23)	(14)
Recoveries		1	4
Translation adjustments	1	(11)	4
End of year balance	$ 41	$ 39	$ 72

The equipment operations sell a significant portion of their trade receivables to financial services and provide compensation to financial services at approximate market interest rates.

Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. See Note 2 for the company's revenue recognition policy. The company evaluates and assesses dealers on an ongoing basis as to their creditworthiness and generally secures the receivables by retaining a security interest in the goods associated with the trade receivables or with other financial instruments. In certain jurisdictions, the company is obligated to repurchase goods sold to a dealer upon cancellation or termination of the dealer's contract for such causes as change in ownership and closeout of the business.

During 2020 and to a much lesser extent in 2021, the company provided short-term payment relief on trade accounts and notes receivable to customers that were negatively affected by the economic effects of COVID. The relief was provided both in regional programs and case-by-case situations with creditworthy customers. This relief generally included payment deferrals not exceeding three months, extending interest-free periods for up to an additional three months with the total interest-free period not to exceed one year, or reducing interest rates for a maximum of three months. The trade receivables granted relief that remained outstanding at October 31, 2021 were not material. This balance at November 1, 2020 was $75 million, or approximately 2 percent of the trade receivable portfolio. Outside of these actions, the company did not modify its normal sales terms with customers that are outlined in Note 2.

For customers who obtained payment relief, subsequent sales transactions are evaluated to confirm the revenue recognition criteria are met, including that the sales price is determinable and collectability of the payments is probable based on the terms outlined in the contract.

Financing Receivables

While the company implemented a new operating model in fiscal year 2021 resulting in new operating segments, assets managed by financial services, including most financing receivables and equipment on operating leases, continue to be evaluated by market (agriculture and turf or construction and forestry).

Financing receivables at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	2021		2020	
	Unrestricted/Securitized		Unrestricted/Securitized	
Retail notes:				
Agriculture and turf	$ 21,736	$ 4,041	$ 17,780	$ 4,134
Construction and forestry	4,334	712	3,629	680
Total	26,070	4,753	21,409	4,814
Wholesale notes	2,577		3,547	
Revolving charge accounts	3,880		3,962	
Financing leases (direct and sales-type)	2,879		2,364	
Total financing receivables	35,406	4,753	31,282	4,814
Less:				
Unearned finance income:				
Retail notes	1,131	80	1,066	98
Wholesale notes	11		18	
Revolving charge accounts	55		60	
Financing leases	258		217	
Total	1,455	80	1,361	98
Allowance for credit losses	152	14	171	13
Financing receivables – net	$ 33,799	$ 4,659	$ 29,750	$ 4,703

Financing receivables have significant concentrations of credit risk in the agriculture and turf and construction and forestry markets as shown in the previous table. On a geographic basis, there is no disproportionate concentration of credit risk in any area. The company generally retains as collateral a security interest in the equipment associated with retail notes, wholesale notes, and financing leases.

Financing receivables at October 31, 2021 and November 1, 2020 related to the company's sales of equipment that were included in the table above consisted of the following in millions of dollars:

	2021		2020	
	Unrestricted/Securitized		Unrestricted/Securitized	
Retail notes*:				
Agriculture and turf	$ 1,977		$ 1,971	
Construction and forestry	368	$ 10	335	$ 27
Total	2,345	10	2,306	27
Wholesale notes	2,577		3,547	
Sales-type leases	1,269		1,045	
Total	6,191	10	6,898	27
Less:				
Unearned finance income:				
Retail notes	159		178	
Wholesale notes	11		18	
Sales-type leases	98		82	
Total	268		278	
Financing receivables related to the company's sales of equipment	$ 5,923	$ 10	$ 6,620	$ 27

* These retail notes generally arise from sales of equipment by company-owned dealers or through direct sales.

Financing receivable installments, including unearned finance income, at October 31, 2021 and November 1, 2020 were scheduled as follows in millions of dollars:

	2021		2020	
	Unrestricted/Securitized		Unrestricted/Securitized	
Due in months:				
0 – 12	$ 15,205	$ 1,904	$ 14,983	$ 1,971
13 – 24	7,412	1,323	6,180	1,354
25 – 36	5,629	885	4,556	889
37 – 48	3,991	478	3,145	460
49 – 60	2,397	150	1,794	129
Thereafter	772	13	624	11
Total	$ 35,406	$ 4,753	$ 31,282	$ 4,814

The maximum terms for retail notes are generally seven years for agriculture and turf equipment, and five years for construction and forestry equipment. The maximum term for financing leases is generally seven years. The average term for wholesale notes is less than twelve months.

Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the company has ceased accruing finance income. The company ceases accruing finance income when these receivables are generally 90 days delinquent. Generally, when receivables are 120 days delinquent the estimated uncollectible amount from the customer is written off to the allowance for credit losses. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

Due to the significant, negative effects of COVID on dealers and retail customers, the company provided short-term payment relief to dealers and retail customers during 2020, and to a much lesser extent in 2021. The relief was provided in regional programs and case-by-case situations with customers that were generally current in their payment obligations. This relief generally included payment deferrals or reduced financing rates of three months or less. The financing receivables granted relief that remained outstanding at October 31, 2021 and November 1, 2020 represented approximately 3 percent and 4 percent of the financing receivable portfolio, respectively. The majority of financing receivables granted short-term relief are beyond the deferral period and have either resumed making payments or are reported as delinquent based on the modified payment schedule.

The company monitors the credit quality of financing receivables based on delinquency status. The credit quality analysis of retail notes, financing leases, and revolving charge accounts (collectively, retail customer receivables) was as follows in millions of dollars at October 31, 2021:

	Year of Origination			
	2021	2020	2019	2018
Retail customer receivables:				
Agriculture and turf				
Current	$ 12,877	$ 6,676	$ 3,463	$ 1,738
30-59 days past due	43	53	29	16
60-89 days past due	16	23	12	6
90+ days past due		1		
Non-performing	23	57	53	32
Construction and forestry				
Current	3,122	1,575	754	273
30-59 days past due	50	40	27	7
60-89 days past due	15	11	9	6
90+ days past due	1	2	3	3
Non-performing	26	56	39	17
Total retail customer receivables	$ 16,173	$ 8,494	$ 4,389	$ 2,098

	Year of Origination			
	2017	Prior Years	Revolving Charge Accounts	Total
Retail customer receivables:				
Agriculture and turf				
Current	$ 728	$ 211	$ 3,704	$ 29,397
30-59 days past due	7	3	14	165
60-89 days past due	3	1	4	65
90+ days past due				1
Non-performing	17	23	7	212
Construction and forestry				
Current	57	7	92	5,880
30-59 days past due	4	1	3	132
60-89 days past due	1		1	43
90+ days past due	4	2		15
Non-performing	7	3		148
Total retail customer receivables	$ 828	$ 251	$ 3,825	$ 36,058

The credit quality analysis of retail customer receivables was as follows in millions of dollars at November 1, 2020:

	2020		
	Retail Notes & Financing Leases	Revolving Charge Accounts	Total
Retail customer receivables:			
Agriculture and turf			
Current	$ 21,597	$ 3,787	$ 25,384
30-59 days past due	135	13	148
60-89 days past due	64	4	68
90+ days past due	2		2
Non-performing	263	6	269
Construction and forestry			
Current	4,859	88	4,947
30-59 days past due	111	2	113
60-89 days past due	55	1	56
90+ days past due	14		14
Non-performing	106	1	107
Total retail customer receivables	$ 27,206	$ 3,902	$ 31,108

The credit quality analysis of wholesale receivables was as follows in millions of dollars at October 31, 2021:

	Year of Origination			
	2021	2020	2019	2018
Wholesale receivables:				
Agriculture and turf				
Current	$ 346	$ 80	$ 22	$ 9
30-59 days past due				
60-89 days past due				
90+ days past due				
Non-performing			12	
Construction and forestry				
Current	41	7	7	
30-59 days past due				
60-89 days past due				
90+ days past due				
Non-performing				
Total wholesale receivables	$ 387	$ 87	$ 41	$ 9

	Year of Origination			
	2017	Prior Years	Revolving	Total
Wholesale receivables:				
Agriculture and turf				
Current	$ 3		$ 1,696	$ 2,156
30-59 days past due				
60-89 days past due				
90+ days past due				
Non-performing				12
Construction and forestry				
Current	1	$ 1	340	397
30-59 days past due				
60-89 days past due		1		1
90+ days past due				
Non-performing				
Total wholesale receivables	$ 4	$ 2	$ 2,036	$ 2,566

The credit quality analysis of wholesale receivables was as follows in millions of dollars at November 1, 2020:

	2020
Wholesale receivables:	
Agriculture and turf	
Current	$ 3,010
30-59 days past due	
60-89 days past due	
90+ days past due	
Non-performing	47
Construction and forestry	
Current	472
30-59 days past due	
60-89 days past due	
90+ days past due	
Non-performing	
Total wholesale receivables	$ 3,529

An analysis of the allowance for credit losses and investment in financing receivables follows in millions of dollars:

	Retail Notes & Financing Leases	Revolving Charge Accounts	Wholesale Receivables	Total
2021				
Allowance:				
Beginning of year balance	$ 133	$ 43	$ 8	$ 184
ASU No. 2016-13	44	(13)		31
Provision (credit)		(17)	(1)	(18)
Write-offs	(60)	(28)		(88)
Recoveries	20	36		56
Translation adjustments	1			1
End of year balance*	$ 138	$ 21	$ 7	$ 166
Financing receivables:				
End of year balance	$ 32,233	$ 3,825	$ 2,566	$ 38,624
2020				
Allowance:				
Beginning of year balance	$ 107	$ 40	$ 3	$ 150
Provision	81	26	3	110
Write-offs	(65)	(53)		(118)
Recoveries	17	30		47
Translation adjustments	(7)		2	(5)
End of year balance*	$ 133	$ 43	$ 8	$ 184
Financing receivables:				
End of year balance	$ 27,206	$ 3,902	$ 3,529	$ 34,637
2019				
Allowance:				
Beginning of year balance	$ 129	$ 43	$ 6	$ 178
Provision	6	29		35
Write-offs	(47)	(58)		(105)
Recoveries	23	26		49
Translation adjustments	(4)		(3)	(7)
End of year balance*	$ 107	$ 40	$ 3	$ 150
Financing receivables:				
End of year balance	$ 25,151	$ 3,943	$ 4,634	$ 33,728

* Individual allowances were not significant.

In 2021, the allowance for credit losses on retail notes and financing lease receivables increased due to the adoption of ASU No. 2016-13. This was partially offset by lower expected losses in the construction and forestry market and better than expected performance of accounts granted payment relief due to the economic effects of COVID. The allowance for credit losses on revolving charge accounts decreased in 2021, reflecting a decrease due to the adoption of ASU No. 2016-13 and continued improvement in the agricultural and turf market. In 2020, the negative economic effects related to COVID and other macroeconomic issues significantly affected certain retail customers, particularly purchasers of construction equipment.

Past-due amounts over 30 days represented 1.09 percent and 1.16 percent of the receivables financed at October 31, 2021 and November 1, 2020, respectively. Non-performing receivables comprised .96 percent and 1.22 percent of the financing receivables at October 31, 2021 and November 1, 2020, respectively. The allowance for credit losses represented .43 percent and .53 percent of financing receivables outstanding at October 31, 2021 and November 1, 2020, respectively. In addition, at October 31, 2021 and November 1, 2020, the company's financial services operations had $154 million and $136 million, respectively, of deposits primarily withheld from dealers and merchants as credit enhancements.

A troubled debt restructuring is generally the modification of debt in which a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. These modifications may include a reduction of the stated interest rate, an extension of the maturity dates, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest. During 2021, 2020, and 2019, the company identified 397, 574, and 522 receivable contracts as troubled debt restructurings with aggregate balances of $18 million, $108 million, and $36 million pre-modification and $17 million, $95 million, and $35 million post-modification, respectively. Troubled debt restructurings in 2021 and 2019 primarily related to retail notes, while 2020 modifications primarily related to wholesale receivables in Argentina. The short-term relief related to COVID did not meet the definition of a troubled debt restructuring. In 2021 and 2020, there were no significant troubled debt restructurings that subsequently defaulted and were written off. At October 31, 2021, the company had no commitments to lend to customers whose accounts were modified in troubled debt restructurings.

Other Receivables

Other receivables at October 31, 2021 and November 1, 2020 consisted of the following in millions of dollars:

	2021	2020
Taxes receivable	$ 1,436	$ 931
Other	302	289
Other receivables	$ 1,738	$ 1,220

14. SECURITIZATION OF FINANCING RECEIVABLES

The company, as a part of its overall funding strategy, periodically transfers certain financing receivables (retail notes) into VIEs that are SPEs, or non-VIE banking operations, as part of its asset-backed securities programs (securitizations). The structure of these transactions is such that the transfer of the retail notes does not meet the accounting criteria for sales of receivables, and is, therefore, accounted for as a secured borrowing. SPEs utilized in securitizations of retail notes differ from other entities included in the company's consolidated statements because the assets they hold are legally isolated. Use of the assets held by the SPEs or the non-VIEs is restricted by terms of the documents governing the securitization transactions.

In these securitizations, the retail notes are transferred to certain SPEs, which in turn issue debt to investors, or to non-VIE banking operations, which provide funding directly to the company. The funding provided by these third-parties result in secured borrowings, which are recorded as "Short-term securitization borrowings" on the balance sheet. The securitized retail notes are recorded as "Financing receivables securitized - net" on the balance sheet. The total restricted assets on the balance sheet related to these securitizations include the financing receivables securitized, less an allowance for credit losses, and other assets primarily representing restricted cash. Restricted cash results from contractual requirements in securitized borrowing arrangements and serves as a credit enhancement. The restricted cash is used to satisfy payment deficiencies, if any, in the required payments on secured borrowings. The balance of restricted cash is contractually stipulated and is either a fixed amount as determined by the initial balance of the financing receivables securitized or a fixed percentage of the outstanding balance of the securitized financing receivables. The restriction is removed either after all secured borrowing payments are made or proportionally as these receivables are collected and borrowing obligations reduced. For those securitizations in which retail notes are transferred into SPEs, the SPEs supporting the secured borrowings are consolidated unless the company does not have both the power to direct the activities that most significantly impact the SPEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. No additional support to these SPEs beyond what was previously contractually required has been provided during the reporting periods.

In certain securitizations, the company consolidates the SPEs since it has both the power to direct the activities that most significantly impact the SPEs' economic performance through its role as servicer of all the receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the SPEs. The restricted assets (retail notes securitized, allowance for credit losses, and other assets) of the consolidated SPEs totaled $3,094 million and $2,898 million at October 31, 2021 and November 1, 2020, respectively. The liabilities (short-term securitization borrowings and accrued interest) of these SPEs totaled $3,024

million and $2,856 million at October 31, 2021 and November 1, 2020, respectively. The credit holders of these SPEs do not have legal recourse to the company's general credit.

The company has a revolving credit agreement to utilize bank conduit facilities to secure retail notes, described further in the following paragraphs. At October 31, 2021, the revolving credit agreement had a total capacity, or "financing limit," of up to $2,000 million of secured financings at any time. The agreement was renewed in November 2021 with an expiration in November 2022 and a capacity of $1,000 million. As a result of the reduced capacity, the company repurchased $511 million of outstanding short-term securitization borrowings in November 2021, in addition to the normal monthly liquidations as a result of payments collected on the retail notes.

Through the revolving credit agreement, the company transfers retail notes into bank-sponsored, multi-seller, commercial paper conduits, which are SPEs that are not consolidated. The company does not service a significant portion of the conduits' receivables, and therefore, does not have the power to direct the activities that most significantly impact the conduits' economic performance. These conduits provide a funding source to the company (as well as other transferors into the conduit) as they fund the retail notes through the issuance of commercial paper. The company's carrying values and variable interest related to these conduits were restricted assets (retail notes securitized, allowance for credit losses, and other assets) of $1,176 million and $1,327 million at October 31, 2021 and November 1, 2020, respectively. The liabilities (short-term securitization borrowings and accrued interest) related to these conduits were $1,113 million and $1,275 million at October 31, 2021 and November 1, 2020, respectively.

The company's carrying amount of the liabilities to the unconsolidated conduits, compared to the maximum exposure to loss related to these conduits, which would only be incurred in the event of a complete loss on the restricted assets, was as follows at October 31, 2021 in millions of dollars:

	2021
Carrying value of liabilities	$ 1,113
Maximum exposure to loss	1,176

The total assets of the unconsolidated conduits related to securitizations were approximately $40 billion at October 31, 2021.

In addition, through the revolving credit agreement, the company transfers retail notes to banks, which may elect to fund the retail notes through the use of their own funding sources. These non-VIE banking operations are not consolidated since the company does not have a controlling interest in them. The company's carrying values and interests related to the securitizations with the unconsolidated non-VIEs were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $496 million and $576 million at October 31, 2021 and November 1, 2020, respectively. The liabilities (short-term securitization borrowings and accrued interest) were $470 million and $554 million at October 31, 2021 and November 1, 2020, respectively.

The components of consolidated restricted assets related to secured borrowings in securitization transactions at October 31, 2021 and November 1, 2020 were as follows in millions of dollars:

	2021	2020
Financing receivables securitized (retail notes)	$ 4,673	$ 4,716
Allowance for credit losses	(14)	(13)
Other assets	107	98
Total restricted securitized assets	$ 4,766	$ 4,801

The components of consolidated secured borrowings and other liabilities related to securitizations at October 31, 2021 and November 1, 2020 were as follows in millions of dollars:

	2021	2020
Short-term securitization borrowings	$ 4,605	$ 4,682
Accrued interest on borrowings	2	3
Total liabilities related to restricted securitized assets	$ 4,607	$ 4,685

The secured borrowings related to these restricted securitized retail notes are obligations that are payable as the retail notes are liquidated. Repayment of the secured borrowings depends primarily on cash flows generated by the restricted assets. Due to the company's short-term credit rating, cash collections from these restricted assets are not required to be placed into a segregated collection account until immediately prior to the time payment is required to the secured creditors. At October 31, 2021, the maximum remaining term of all securitized retail notes was approximately seven years.

15. INVENTORIES

A majority of inventory owned by Deere & Company and its U.S. equipment subsidiaries are valued at cost, on the "last-in, first-out" (LIFO) basis. Remaining inventories are generally valued at the lower of cost, on the "first-in, first-out" (FIFO) basis, or net realizable value. The value of gross inventories on the LIFO basis at October 31, 2021 and November 1, 2020 represented 54 percent and 52 percent, respectively, of worldwide gross inventories at FIFO value. The pretax favorable income effect from the liquidation of LIFO inventory during 2020 was $33 million. If all inventories had been valued on a FIFO basis, estimated inventories by major classification at October 31, 2021 and November 1, 2020 in millions of dollars would have been as follows:

	2021	2020
Raw materials and supplies	$ 3,524	$ 1,995
Work-in-process	994	648
Finished goods and parts	4,373	4,006
Total FIFO value	8,891	6,649
Less adjustment to LIFO value	2,110	1,650
Inventories	$ 6,781	$ 4,999

16. PROPERTY AND DEPRECIATION

A summary of property and equipment at October 31, 2021 and November 1, 2020 in millions of dollars follows:

	Useful Lives* (Years)	2021	2020
Equipment Operations			
Land		$ 293	$ 282
Buildings and building equipment	22	4,287	4,114
Machinery and equipment	11	6,123	5,936
Dies, patterns, tools, etc.	8	1,679	1,662
All other	5	1,165	1,115
Construction in progress		527	440
Total at cost		14,074	13,549
Less accumulated depreciation		8,291	7,771
Total		5,783	5,778
Financial Services			
Land		4	4
Buildings and building equipment	26	65	65
All other	6	32	34
Total at cost		101	103
Less accumulated depreciation		64	64
Total		37	39
Property and equipment - net		$ 5,820	$ 5,817

* Weighted-averages

Total property and equipment additions in 2021, 2020, and 2019 were $897 million, $815 million, and $1,107 million and depreciation was $830 million, $800 million, and $779 million, respectively. Capitalized interest was $3 million, $6 million, and $7 million in the same periods, respectively. The cost of leased property and equipment under finance leases of $131 million and $99 million and accumulated depreciation of $60 million and $36 million at October 31, 2021 and November 1, 2020, respectively, is included in property and equipment.

Capitalized software has an estimated useful life of three years. The amounts of total capitalized software costs, including purchased and internally developed software, classified as "Other assets" at October 31, 2021 and November 1, 2020 were $1,326 million and $1,339 million, less accumulated amortization of $1,044 million and $1,070 million, respectively. Capitalized interest on software was $2 million and $3 million at October 31, 2021 and November 1, 2020, respectively. Amortization of these software costs in 2021, 2020, and 2019 was $121 million, $133 million, and $150 million, respectively.

The cost of compliance with foreseeable environmental requirements has been accrued and did not have a material effect on the company's consolidated financial statements.

17. GOODWILL AND OTHER INTANGIBLE ASSETS – NET

The changes in amounts of goodwill by operating segments were as follows in millions of dollars:

	Production & Precision Ag	Small Ag & Turf	Construction & Forestry	Total
November 3, 2019	$ 310	$ 264	$ 2,343	$ 2,917
Acquisitions (Note 4)	28			28
Translation adjustments and other	(5)	4	137	136
November 1, 2020	333	268	2,480	3,081
Acquisitions (Note 4)	201			201
Translation adjustments and other	8	(3)	4	9
October 31, 2021	$ 542	$ 265	$ 2,484	$ 3,291

There were no accumulated goodwill impairment losses in the reported periods.

The components of other intangible assets are as follows in millions of dollars:

	2021	2020
Amortized intangible assets:		
Customer lists and relationships	$ 542	$ 535
Technology, patents, trademarks, and other	1,104	1,056
Total at cost	1,646	1,591
Less accumulated amortization:		
Customer lists and relationships	151	113
Technology, patents, trademarks, and other	343	274
Total accumulated amortization	494	387
Amortized intangible assets	1,152	1,204
Unamortized intangible assets:		
In-process research and development	123	123
Other intangible assets - net	$ 1,275	$ 1,327

Other intangible assets are stated at cost less accumulated amortization. The amortization of other intangible assets in 2021, 2020, and 2019 was $116 million, $102 million, and $109 million, respectively. The estimated amortization expense for the next five years is as follows in millions of dollars: 2022 - $113, 2023 - $112, 2024 - $108, 2025 - $105, and 2026 - $103.

18. TOTAL SHORT-TERM BORROWINGS

Total short-term borrowings at October 31, 2021 and November 1, 2020 consisted of the following in millions of dollars:

	2021	2020
Equipment Operations		
Notes payable to banks	$ 273	$ 192
Finance lease obligations due within one year	23	21
Long-term borrowings due within one year	1,213	79
Total	1,509	292
Financial Services		
Commercial paper	2,230	1,238
Notes payable to banks	63	182
Long-term borrowings due within one year*	7,117	6,870
Total	9,410	8,290
Short-term borrowings	10,919	8,582
Short-term securitization borrowings		
Equipment Operations	10	26
Financial Services	4,595	4,656
Total	4,605	4,682
Total short-term borrowings	$ 15,524	$ 13,264

* Includes unamortized fair value adjustments related to interest rate swaps.

The short-term securitization borrowings are secured by financing receivables (retail notes) on the balance sheet (see Note 14) and presented net of debt acquisition costs. Although these securitization borrowings are classified as short-term since payment is required if the retail notes are liquidated early, the payment schedule for these borrowings at October 31, 2021 based on the expected liquidation of the retail notes in millions of dollars is as follows: 2022 - $2,556, 2023 - $1,150, 2024 - $623, 2025 - $231, 2026 - $44, and later years - $6.

The weighted-average interest rates on total short-term borrowings, excluding current maturities of finance lease obligations and long-term borrowings, at October 31, 2021 and November 1, 2020 were .9 percent and 1.6 percent, respectively.

Lines of credit available from U.S. and foreign banks were $8,336 million at October 31, 2021. At October 31, 2021, $5,770 million of these worldwide lines of credit were unused. For the purpose of computing the unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were primarily considered to constitute utilization. Included in the total credit lines at October 31, 2021 was a 364-day credit facility agreement of $3,000 million, expiring in fiscal April 2022. In addition, total credit lines included long-term credit facility agreements of $2,500 million, expiring in fiscal April 2025, and $2,500 million, expiring in fiscal March 2026. The agreements are mutually extendable and the annual facility fees are not significant. These credit agreements require Capital Corporation to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the equipment operations to maintain a ratio of total debt to total capital (total debt and stockholders' equity excluding accumulated other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company's excess equity capacity and retained earnings balance free of restriction at October 31, 2021 was $15,388 million. Alternatively under this provision, the equipment operations had the capacity to incur additional debt of $28,579 million at October 31, 2021. All of these credit agreement requirements have been met during the periods included in the consolidated financial statements.

Deere & Company has an agreement with Capital Corporation pursuant to which it has agreed to continue to own, directly or through one or more wholly-owned subsidiaries, at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain Capital Corporation's consolidated tangible net worth at not less than $50 million. This agreement also obligates Deere & Company to make payments to Capital Corporation such that its consolidated ratio of earnings to fixed charges is not less than 1.05 to 1 for each fiscal quarter. Deere & Company's obligations to make payments to Capital Corporation under the agreement are independent of whether Capital Corporation is in default on its indebtedness, obligations or other liabilities. Further, Deere & Company's obligations under the agreement are not measured by the amount of Capital Corporation's indebtedness, obligations, or other liabilities. Deere & Company's obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation, or liability of Capital Corporation and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement during the periods included in the consolidated financial statements. At October 31, 2021, Deere & Company indirectly owned 100 percent of the voting shares of Capital Corporation's capital stock and Capital Corporation's consolidated tangible net worth was $4,524 million.

19. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at October 31, 2021 and November 1, 2020 consisted of the following in millions of dollars:

	2021	2020
Equipment Operations		
Accounts payable:		
Trade payables	$ 2,967	$ 1,926
Dividends payable	329	244
Operating lease liabilities	279	297
Other	155	251
Accrued expenses:		
Dealer sales discounts	1,636	1,682
Product warranties	1,312	1,105
Employee benefits	1,448	1,086
Accrued taxes	933	730
Unearned revenue	825	679
Other	1,171	1,114
Total	11,055	9,114
Financial Services		
Accounts payable:		
Deposits withheld from dealers and merchants	157	141
Collateral on derivatives		274
Other	210	194
Accrued expenses:		
Unearned revenue	1,013	968
Accrued interest	165	181
Employee benefits	83	60
Other	387	309
Total	2,015	2,127
Eliminations*	865	1,129
Accounts payable and accrued expenses	$ 12,205	$ 10,112

* Primarily sales incentive accruals with a right of set-off against trade receivables. At October 31, 2021 and November 1, 2020, $836 million and $1,073 million, respectively, of sales incentive accruals were classified as accrued expenses by the equipment operations as the related trade receivables had been sold to financial services.

20. LONG-TERM BORROWINGS

Long-term borrowings at October 31, 2021 and November 1, 2020 consisted of the following in millions of dollars:

	2021	2020
Equipment Operations		
U.S. dollar notes and debentures:		
8½% debentures due 2022		$ 105
2.60% notes due 2022		1,000
2.75% notes due 2025	$ 700	700
6.55% debentures due 2028	200	200
5.375% notes due 2029	500	500
3.10% notes due 2030	700	700
8.10% debentures due 2030	250	250
7.125% notes due 2031	300	300
3.90% notes due 2042	1,250	1,250
2.875% notes due 2049	500	500
3.75% notes due 2050	850	850
Euro notes:		
.5% notes due 2023 (€500 principal)	584	584
1.375% notes due 2024 (€800 principal)	934	934
1.85% notes due 2028 (€600 principal)	701	700
2.20% notes due 2032 (€600 principal)	701	700
1.65% notes due 2039 (€650 principal)	759	759
Finance lease obligations and other notes	40	153
Less debt issuance costs and debt discounts	(54)	(61)
Total	8,915	10,124
Financial Services		
Notes and debentures:		
Medium-term notes due 2022 - 2031: (principal $22,647 - 2021, $20,996 - 2020) Average interest rates of 1.2% - 2021, 1.7% - 2020	22,899 *	21,661 *
Other notes	1,138	1,003
Less debt issuance costs and debt discounts	(64)	(54)
Total	23,973	22,610
Long-term borrowings**	$ 32,888	$ 32,734

* Includes unamortized fair value adjustments related to interest rate swaps.
** All interest rates are as of year-end.

The principal amounts of the equipment operations' long-term borrowings maturing in each of the next five years in millions of dollars are as follows: 2022 - $1,214, 2023 - $585, 2024 - $935, 2025 - $700, and 2026 - $0. The principal amounts of the financial services' long-term borrowings maturing in each of the next five years in millions of dollars are as follows: 2022 - $7,120, 2023 - $6,834, 2024 - $6,089, 2025 - $2,305, and 2026 - $3,373.

21. COMMITMENTS AND CONTINGENCIES

The company generally determines its total warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. The historical claims rate is primarily determined by a review of five-year claims costs and current quality developments.

The premiums for extended warranties are primarily recognized in income in proportion to the costs expected to be incurred over the contract period. The unamortized extended warranty premiums (deferred revenue) included in the following table totaled $774 million and $638 million at October 31, 2021 and November 1, 2020, respectively.

A reconciliation of the changes in the warranty liability and unearned premiums in millions of dollars follows:

	Warranty Liability/ Unearned Premiums	
	2021	2020
Beginning of year balance	$ 1,743	$ 1,800
Payments	(864)	(942)
Amortization of premiums received	(227)	(222)
Accruals for warranties	1,071	851
Premiums received	358	276
Foreign exchange	5	(20)
End of year balance	$ 2,086	$ 1,743

At October 31, 2021, the company had approximately $409 million of guarantees issued primarily to banks outside the U.S. and Canada related to third-party receivables for the retail financing of John Deere equipment. The company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. At October 31, 2021, the company had accrued losses of approximately $6 million under these agreements. The maximum remaining term of the receivables guaranteed at October 31, 2021 was about six years.

At October 31, 2021, the company had commitments of approximately $254 million for the construction and acquisition of property and equipment. Also at October 31, 2021, the company had restricted assets of $68 million, classified as "Other assets." See Note 14 for additional restricted assets associated with borrowings related to securitizations.

The company also had other miscellaneous contingent liabilities totaling approximately $75 million at October 31, 2021. The accrued liability for these contingencies was not material at October 31, 2021.

The company has commitments to extend credit to customers through lines of credit and other pre-approved credit arrangements. The amount of unused commitments to extend credit to John Deere dealers was approximately $14 billion at October 31, 2021. The amount of unused commitments to extend credit to retail customers was approximately $30 billion at October 31, 2021, primarily related to revolving charge accounts. A significant portion of these commitments is not expected to be fully drawn upon; therefore, the total commitment amounts likely do not represent a future cash requirement. The company generally has the right to unconditionally cancel, alter, or amend the terms of these commitments at any time. The company recorded a provision for credit losses on unused commitments that are not unconditionally cancellable of $2 million in 2021.

The company is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to product liability (including asbestos related liability), retail credit, employment, patent, and trademark matters. The company believes the reasonably possible range of losses for these unresolved legal actions would not have a material effect on its financial statements.

22. CAPITAL STOCK

The $1 par value common stock of Deere & Company is listed on the New York Stock Exchange under the symbol "DE". At October 31, 2021, there were 18,466 holders of record of the company's common stock.

The number of common shares the company is authorized to issue is 1,200 million. The number of common shares issued at October 31, 2021, November 1, 2020, and November 3, 2019 was 536.4 million. The number of authorized preferred shares, none of which has been issued, is nine million.

The Board of Directors at a meeting in December 2019 authorized the repurchase of up to $8,000 million of common stock. At the end of fiscal year 2021, this repurchase program had $5,811 million (17.0 million shares based on the fiscal year end closing common stock price of $342.31 per share) remaining to be repurchased. Repurchases of the company's common stock under this plan will be made from time to time, at the company's discretion, in the open market.

A reconciliation of basic and diluted net income per share attributable to Deere & Company follows in millions, except per share amounts:

	2021	2020	2019
Net income attributable to Deere & Company	$ 5,963	$ 2,751	$ 3,253
Average shares outstanding	311.6	313.5	316.5
Basic per share	$ 19.14	$ 8.77	$ 10.28
Average shares outstanding	311.6	313.5	316.5
Effect of dilutive stock options	2.4	3.1	4.1
Total potential shares outstanding	314.0	316.6	320.6
Diluted per share	$ 18.99	$ 8.69	$ 10.15

All stock options outstanding were included in the computation except .6 million in 2020 and .7 million in 2019 that had an antidilutive effect under the treasury stock method.

23. STOCK OPTION AND RESTRICTED STOCK AWARDS

The company issues stock options and restricted stock unit awards to key employees under plans approved by stockholders. Restricted stock units are also issued to nonemployee directors for their services as directors under a plan approved by stockholders. Options are awarded with the exercise price equal to the market

price and become exercisable in one to three years after grant. Options expire ten years after the date of grant. Restricted stock awards generally vest after three years. The compensation cost for stock options and service-based restricted stock units, which is based on the fair value at the grant date, is recognized on a straight-line basis over the requisite period the employee is required to render service. The compensation cost for performance/service-based units, which is based on the fair value at the grant date excluding dividends, is recognized over the employees' requisite service period and periodically adjusted for the probable number of shares to be awarded. The company recognizes the effect of award forfeitures as an adjustment to compensation expense in the period the forfeiture occurs. According to these plans, at October 31, 2021, the company is authorized to grant an additional 17.7 million shares related to stock options or restricted stock units. The company currently uses shares that have been repurchased through its stock repurchase programs to satisfy share option exercises.

The fair value of each option award was estimated on the date of grant using a binomial lattice option valuation model. Expected volatilities are based on implied volatilities from traded call options on the company's stock. The expected volatilities are constructed from the following three components: the starting implied volatility of short-term call options traded within a few days of the valuation date; the predicted implied volatility of long-term call options; and the trend in implied volatilities over the span of the call options' time to maturity. The company uses historical data to estimate option exercise behavior. The expected term of options granted is derived from the output of the option valuation model based on the underlying distribution of historical exercise behavior and represents the weighted-average period of time that options granted are expected to be outstanding. The risk-free rates utilized for periods throughout the contractual life of the options are based on U.S. Treasury security yields at the time of grant.

The assumptions used for the binomial lattice model to determine the fair value of options follow:

	2021	2020	2019
Risk-free interest rate*	.47%	1.67%	2.85%
Expected dividends	1.2%	1.8%	2.0%
Volatility*	31.0%	26.0%	30.0%
Expected term (in years)*	5.5	5.7	8.2

* Weighted-averages

Stock option activity at October 31, 2021, and changes during 2021 in millions of dollars and shares follow:

	Shares	Exercise Price*	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	3.7	$ 107.30		
Granted	.3	254.83		
Exercised	(1.5)	99.38		
Outstanding at end of year	2.5	127.82	5.07	$ 527.3
Exercisable at end of year	1.9	103.25	4.00	445.0

* Weighted-averages

The weighted-average grant-date fair values of options granted during 2021, 2020, and 2019 were $62.73, $35.83, and $46.96, respectively. The total intrinsic values of options exercised during 2021, 2020, and 2019 were $318 million, $398 million, and $186 million, respectively. During 2021, 2020, and 2019, cash received from stock option exercises was $148 million, $331 million, and $178 million, respectively, with tax benefits of $71 million, $93 million, and $44 million, respectively.

The service-only based units award one share of common stock for each unit at the end of the vesting period and include dividend equivalent payments. The performance/service based units are subject to a performance metric based on the company's compound annual revenue growth rate, compared to a benchmark group of companies over the vesting period. The performance/service based units award common stock in a range of zero to 200 percent for each unit granted based on the level of the metric achieved and do not include dividend equivalent payments over the vesting period. The weighted-average fair values of the service-only based units at the grant dates during 2021, 2020, and 2019 were $258.86, $168.94, and $149.54 per unit, respectively, based on the market price of a share of underlying common stock. The fair value of the performance/service based units at the grant date during 2021, 2020, and 2019 were $245.73, $160.81, and $140.49 per unit, respectively, based on the market price of a share of underlying common stock excluding dividends.

The company's restricted stock units at October 31, 2021 and changes during 2021 in millions of shares follow:

	Shares	Grant-Date Fair Value*
Service-only based		
Nonvested at beginning of year	.9	$ 155.47
Granted	.2	258.86
Vested	(.5)	190.87
Forfeited	(.1)	163.16
Nonvested at end of year	.5	190.87
Performance/service based		
Nonvested at beginning of year	.2	$ 147.55
Granted	.1	245.73
Vested	(.2)	145.16
Performance change	.1	144.98
Nonvested at end of year	.2	171.82

* Weighted-averages

During 2021, 2020, and 2019, the total share-based compensation expense was $82 million, $81 million, and $82 million, respectively, with recognized income tax benefits of $16 million, $19 million, and $20 million, respectively. At October 31, 2021, there was $63 million of total unrecognized compensation cost from share-based compensation arrangements granted under the plans, which is related to restricted shares and options. This compensation is expected to be recognized over a weighted-average period of approximately two years. The total grant-date fair values of stock options and restricted shares vested during 2021, 2020, and 2019 were $93 million, $79 million, and $66 million, respectively.

24. OTHER COMPREHENSIVE INCOME ITEMS

The after-tax components of accumulated other comprehensive income at October 31, 2021, November 1, 2020, and November 3, 2019 in millions of dollars follow:

	2021	2020	2019
Retirement benefits adjustment	$ (1,034)	$ (3,918)	$ (3,915)
Cumulative translation adjustment	(1,478)	(1,596)	(1,651)
Unrealized loss on derivatives	(42)	(58)	(60)
Unrealized gain on debt securities	15	33	19
Total accumulated other comprehensive income (loss)	$ (2,539)	$ (5,539)	$ (5,607)

Following are amounts recorded in and reclassifications out of other comprehensive income (loss), and the income tax effects, in millions of dollars:

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2021			
Cumulative translation adjustment:			
Unrealized translation gain (loss)	$ 112		$ 112
Reclassification of realized (gain) loss to:			
Equity in (income) loss of unconsolidated affiliates	6		6
Net unrealized translation gain (loss)	118		118
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	8	$ (2)	6
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	13	(3)	10
Net unrealized gain (loss) on derivatives	21	(5)	16
Unrealized gain (loss) on debt securities:			
Unrealized holding gain (loss)	(21)	3	(18)
Net unrealized gain (loss) on debt securities	(21)	3	(18)
Retirement benefits adjustment:			
Net actuarial gain (loss)	3,492	(845)	2,647
Reclassification to other operating expenses through amortization of: *			
Actuarial (gain) loss	283	(69)	214
Prior service (credit) cost	8	(2)	6
Settlements	22	(5)	17
Net unrealized gain (loss) on retirement benefits adjustment	3,805	(921)	2,884
Total other comprehensive income (loss)	$ 3,923	$ (923)	$ 3,000

* These accumulated other comprehensive income amounts are included in net periodic pension and OPEB costs. See Note 8 for additional detail.

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2020			
Cumulative translation adjustment:			
Unrealized translation gain (loss)	$ 18	$ 1	$ 19
Reclassification of realized (gain) loss to:			
Other operating expenses	13		13
Equity in (income) loss of unconsolidated affiliates	23		23
Net unrealized translation gain (loss)	54	1	55
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(18)	2	(16)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	21	(3)	18
Net unrealized gain (loss) on derivatives	3	(1)	2
Unrealized gain (loss) on debt securities:			
Unrealized holding gain (loss)	17	(3)	14
Net unrealized gain (loss) on debt securities	17	(3)	14
Retirement benefits adjustment:			
Net actuarial gain (loss)	(302)	65	(237)
Reclassification primarily to other operating expenses through amortization of: *			
Actuarial (gain) loss	278	(68)	210
Prior service (credit) cost	7	(2)	5
Settlements	26	(7)	19
Net unrealized gain (loss) on retirement benefits adjustment	9	(12)	(3)
Total other comprehensive income (loss)	$ 83	$ (15)	$ 68

* These accumulated other comprehensive income amounts are primarily included in net periodic pension and OPEB costs. See Note 8 for additional detail.

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2019			
Cumulative translation adjustment	$ (447)	$ (1)	$ (448)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(92)	21	(71)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	(5)	1	(4)
Net unrealized gain (loss) on derivatives	(97)	22	(75)
Unrealized gain (loss) on debt securities:			
Unrealized holding gain (loss)	36	(7)	29
Net unrealized gain (loss) on debt securities	36	(7)	29
Retirement benefits adjustment:			
Net actuarial gain (loss)	(1,028)	274	(754)
Reclassification to other operating expenses through amortization of: *			
Actuarial (gain) loss	159	(39)	120
Prior service (credit) cost	(61)	15	(46)
Settlements	3	(1)	2
Net unrealized gain (loss) on retirement benefits adjustment	(927)	249	(678)
Total other comprehensive income (loss)	$ (1,435)	$ 263	$ (1,172)

* These accumulated other comprehensive income amounts are included in net periodic pension and OPEB costs. See Note 8 for additional detail.

25. LEASES

The company is both a lessee and a lessor. The company leases for its own use primarily warehouse facilities, office space, production equipment, information technology equipment, and vehicles. The expected use periods generally range from less than one year to 20 years. The company's financial services segment leases to users equipment produced or sold by the company, and a limited amount of other equipment. These leases are usually written for periods of less than one year to seven years. The company determines if an arrangement is or contains a lease at the contract inception.

Lessee

The company recognizes on the balance sheet a lease liability and a right of use asset for leases with a term greater than one year for both operating and finance leases.

The amounts of the lease liability and right of use asset are determined at lease commencement and are based on the present value of the lease payments over the lease term. The lease payments are discounted using the company's incremental borrowing rate since the rate implicit in the lease is generally not readily determinable. The company determines the incremental borrowing rate for each lease based primarily on the lease term and the economic environment of the country where the asset will be used, adjusted as if the borrowings were collateralized. Leases with contractual periods greater than one year and that do not meet the finance lease criteria are classified as operating leases.

Certain real estate leases contain one or more options to terminate or renew, with terms that can generally extend the lease term from one to ten years. Options that the company is reasonably certain to exercise are included in the lease term.

The company has elected to combine lease and nonlease components, such as maintenance and utilities costs included in a lease contract, for all asset classes. Leases with an initial term of one year or less are expensed on a straight-line basis over the lease term and recorded in short-term lease expense. Variable lease expense primarily includes warehouse facilities leases with payments based on utilization exceeding contractual minimum amounts and leases with payments indexed to inflation when the index changes after lease commencement.

The lease expense by type consisted of the following in millions of dollars:

	2021	2020
Operating lease expense	$ 116	$ 126
Short-term lease expense	29	23
Variable lease expense	53	41
Finance lease:		
Depreciation expense	26	20
Interest on lease liabilities	1	2
Total lease expense	$ 225	$ 212

Operating and finance lease right of use assets and lease liabilities follow in millions of dollars:

	2021	2020
Operating leases:		
Other assets	$ 291	$ 324
Accounts payable and accrued expenses	279	305
Finance leases:		
Property and equipment — net	$ 71	$ 63
Short-term borrowings	23	21
Long-term borrowings	38	39
Total finance lease liabilities	$ 61	$ 60

The weighted-average remaining lease terms in years and discount rates follows:

	2021	2020
Weighted-average remaining lease terms:		
Operating leases	5	5
Finance leases	2	3
Weighted-average discount rates:		
Operating leases	2.3%	2.1%
Finance leases	2.3%	2.2%

Lease payment amounts in each of the next five years at October 31, 2021 follow in millions of dollars:

Due in:	Operating Leases	Finance Leases
2022	$ 83	$ 25
2023	69	19
2024	54	11
2025	32	5
2026	15	1
Later years	41	3
Total lease payments	294	64
Less imputed interest	15	3
Total lease liabilities	$ 279	$ 61

Cash paid for amounts included in the measurement of lease liabilities follows in millions of dollars:

	2021	2020
Operating cash flows from operating leases	$ 104	$ 124
Operating cash flows from finance leases	1	2
Financing cash flows from finance leases	25	17

Right of use assets obtained in exchange for lease liabilities follow in millions of dollars:

	2021	2020
Operating leases	$ 101	$ 40
Finance leases	27	46

Lessor

The company leases equipment manufactured or sold by the company and a limited amount of non-John Deere equipment to retail customers through sales-type, direct financing, and operating leases. Sales-type and direct financing leases are reported in "Financing receivables - net" on the consolidated balance sheet. Operating leases are reported in "Equipment on operating leases - net" on the consolidated balance sheet.

Leases offered by the company may include early termination and renewal options. At the end of a lease, the lessee generally has the option to purchase the underlying equipment for a fixed price or return it to the dealer. If the equipment is returned to the dealer, the dealer also has the option to purchase the equipment or return it to the company for remarketing.

The company estimates the residual values for operating leases at lease inception based on several factors, including lease term, expected hours of usage, historical wholesale sale prices, return experience, intended use of the equipment, market dynamics and trends, and dealer residual guarantees. The company reviews residual value estimates during the lease term and tests the carrying value of its operating lease assets for impairment when events or circumstances necessitate. The depreciation is adjusted on a straight-line basis over the remaining lease term if residual value estimates change. Lease agreements include usage limits and specifications on machine condition, which allow the company to assess lessees for excess use or damages to the underlying equipment. In 2020 and 2019, the company recorded impairment losses on operating leases of $22 million and $59 million, respectively, due to higher expected equipment return rates and lower estimated values of used construction equipment. Operating lease impairments were recorded in "Other operating expenses."

The company has elected to combine lease and nonlease components. The nonlease components primarily relate to preventative maintenance and extended warranty agreements financed by the retail customer. The company has also elected to report consideration related to sales and value added taxes net of the related tax expense. Property taxes on leased assets are recorded on a gross basis in "Finance and interest income" and "Other operating expenses" on the statement of consolidated income. Variable lease revenues primarily relate to property taxes on leased assets in certain markets and late fees. Variable lease revenues also include excess use and damage fees of $7 million and $8 million for 2021 and 2020, respectively, which were reported in "Other income" on the statement of consolidated income.

Due to the significant, negative effects of COVID, the company provided short-term relief to lessees during 2020, and to a much lesser extent in 2021. The relief, which included payment deferrals of three months or less, was provided in regional programs and on a case-by-case basis with customers that were generally current in their payment obligations. The operating leases granted relief represented approximately 2 percent and 4 percent of the company's operating lease portfolio at October 31, 2021 and November 1, 2020, respectively. The majority of operating leases granted short-term relief are beyond the deferral period and have resumed making payments. See Note 13 for sales-type and direct financing leases provided payment relief.

Lease revenues earned by the company follow in millions of dollars:

	2021	2020
Sales-type and direct finance lease revenues	$ 145	$ 135
Operating lease revenues	1,423	1,469
Variable lease revenues	30	31
Total lease revenues	$ 1,598	$ 1,635

At the time of accepting a lease that qualifies as a sales-type or direct financing lease, the company records the gross amount of lease payments receivable, estimated residual value of the leased equipment, and unearned finance income. The unearned finance income is recognized as revenue over the lease term using the interest method.

Sales-type and direct financing lease receivables by market follow in millions of dollars:

	2021	2020
Agriculture and turf	$ 1,131	$ 985
Construction and forestry	1,284	1,030
Total	2,415	2,015
Guaranteed residual values	394	278
Unguaranteed residual values	70	71
Less unearned finance income	(258)	(217)
Financing lease receivables	$ 2,621	$ 2,147

Scheduled payments, including guaranteed residual values, on sales-type and direct financing lease receivables at October 31, 2021 follow in millions of dollars:

Due in:	2021
2022	$ 1,223
2023	712
2024	461
2025	229
2026	161
Later years	23
Total	$ 2,809

Lease payments from operating leases are recorded as income on a straight-line method over the lease terms. Operating lease assets are recorded at cost and depreciated to their estimated residual value on a straight-line method over the terms of the leases.

The cost of equipment on operating leases by market follow in millions of dollars:

	2021	2020
Agriculture and turf	$ 7,317	$ 7,366
Construction and forestry	1,616	1,921
Total	8,933	9,287
Less accumulated depreciation	(1,945)	(1,989)
Equipment on operating leases - net	$ 6,988	$ 7,298

The total operating lease residual values at October 31, 2021 and November 1, 2020 were $5,025 million and $5,254 million, respectively. Certain operating leases are subject to residual value

guarantees. The total residual value guarantees were $950 million and $757 million at October 31, 2021 and November 1, 2020, respectively. The residual value guarantees at October 31, 2021 and November 1, 2020 include $3 million and $5 million, respectively, of dealer deposits available for potential losses on residual values.

The equipment is depreciated on a straight-line basis over the term of the lease. The corresponding depreciation expense was $983 million in 2021, $1,083 million in 2020, and $981 million in 2019.

Lease payments for equipment on operating leases at October 31, 2021 were scheduled as follows in millions of dollars:

Due in:	2021
2022	$ 1,027
2023	693
2024	409
2025	207
2026	50
Later years	6
Total	$ 2,392

Past due balances of operating leases represent the total balance held (net book value plus accrued lease payments) and still accruing financing income with any payment amounts 30 days or more past the contractual payment due date. These amounts were $70 million and $87 million at October 31, 2021 and November 1, 2020, respectively. The delinquency status of operating leases granted relief due to COVID is based on the modified payment schedule.

The company discusses with lessees and dealers options to purchase the equipment or extend the lease prior to lease maturity. Equipment returned to the company upon termination of leases is remarketed by the company and recorded in "Other assets" at the lower of net book value or estimated fair value of the equipment less costs to sell and is not depreciated. The matured operating lease inventory balances at October 31, 2021 and November 1, 2020 were $30 million and $70 million, respectively. In 2020, the company recorded impairment losses on matured operating lease inventory of $10 million due to lower estimated values of used construction equipment. Impairment losses on matured operating lease inventory were included in "Other operating expenses."

26. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine fair value, the company uses various methods including market and income approaches. The company utilizes valuation models and techniques that maximize the use of observable inputs. The models are industry-standard models that consider various assumptions including time values and yield curves as well as other economic measures. These valuation techniques are consistently applied.

Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs.

The fair values of financial instruments that do not approximate the carrying values at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	2021		2020	
	Carrying Value	Fair Value*	Carrying Value	Fair Value*
Financing receivables – net:				
Equipment operations	$ 73	$ 68	$ 105	$ 103
Financial services	33,726	33,650	29,645	29,838
Total	$ 33,799	$ 33,718	$ 29,750	$ 29,941
Financing receivables securitized – net:				
Equipment operations	$ 10	$ 10	$ 26	$ 26
Financial services	4,649	4,694	4,677	4,773
Total	$ 4,659	$ 4,704	$ 4,703	$ 4,799
Short-term securitization borrowings:				
Equipment operations	$ 10	$ 10	$ 26	$ 26
Financial services	4,595	4,600	4,656	4,698
Total	$ 4,605	$ 4,610	$ 4,682	$ 4,724
Long-term borrowings due within one year:**				
Equipment operations	$ 1,213	$ 1,222	$ 79	$ 78
Financial services	7,117	7,142	6,870	6,936
Total	$ 8,330	$ 8,364	$ 6,949	$ 7,014
Long-term borrowings:**				
Equipment operations	$ 8,877	$ 10,244	$ 10,085	$ 11,837
Financial services	23,973	24,262	22,610	23,170
Total	$ 32,850	$ 34,506	$ 32,695	$ 35,007

* Fair value measurements above were Level 3 for all financing receivables, Level 3 for equipment operations short-term securitization borrowings, and Level 2 for all other borrowings.

** Values exclude finance lease liabilities that are presented as borrowings (see Note 25).

Fair values of the financing receivables that were issued long-term were based on the discounted values of their related cash flows at interest rates currently being offered by the company for similar financing receivables. The fair values of the remaining financing receivables approximated the carrying amounts.

Fair values of long-term borrowings and short-term securitization borrowings were based on current market quotes for identical or similar borrowings and credit risk, or on the discounted values of their related cash flows at current market interest rates. Certain long-term borrowings have been swapped to current variable interest rates. The carrying values of these long-term borrowings included adjustments related to fair value hedges.

Assets and liabilities measured at October 31, 2021 and November 1, 2020 at fair value on a recurring basis in millions of dollars follow, excluding the company's cash equivalents, which were carried at cost that approximates fair value and consisted primarily of money market funds and time deposits. Level 3 marketable securities were transferred to Level 2 in 2021.

	2021	2020
Level 1:		
Marketable securities		
U.S. equity fund	$ 75	$ 62
International equity securities	2	2
U.S. government debt securities	59	55
Total Level 1 marketable securities	136	119
Level 2:		
Marketable securities		
U.S. government debt securities	139	113
Municipal debt securities	73	68
Corporate debt securities	224	188
International debt securities	2	2
Mortgage-backed securities*	154	147
Total Level 2 marketable securities	592	518
Other assets		
Derivatives:		
Interest rate contracts	239	669
Foreign exchange contracts	31	48
Cross-currency interest rate contracts	5	8
Total Level 2 other assets	275	725
Accounts payable and accrued expenses		
Derivatives:		
Interest rate contracts	132	88
Foreign exchange contracts	94	26
Cross-currency interest rate contracts	2	1
Total Level 2 accounts payable and accrued expenses	228	115
Level 3:		
Marketable securities		
International debt securities		4

* Primarily issued by U.S. government sponsored enterprises.

Fair value, nonrecurring measurements from impairments at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	Fair Value		Losses		
	2021	2020	2021	2020	2019
Other receivables [1]		$ 1		$ 2	
Equipment on operating leases – net [2]		$ 371		$ 22	$ 59
Property and equipment – net [3]	$ 41	$ 135	$ 44	$ 102	
Investments in unconsolidated affiliates [4]		$ 19		$ 50	
Other intangible assets – net				$ 2	
Other assets [5]	$ 1	$ 59	$ 6	$ 16	$ 18

[1] Fair value as of August 2, 2020.
[2] Fair value as of May 3, 2020.
[3] 2021 fair value of $41 million at January 31, 2021. 2020 fair value of $70 million at May 3, 2020, $8 million at August 2, 2020, and $57 million at November 1, 2020.
[4] Fair value as of November 1, 2020.
[5] 2021 fair value as of January 31, 2021. 2020 fair value as of May 3, 2020.

The following is a description of the valuation methodologies the company uses to measure certain financial instruments on the balance sheet at fair value:

Marketable securities – The portfolio of investments, except for the Level 3 measurement international debt securities, is primarily valued on a market approach (matrix pricing model) in which all significant inputs are observable or can be derived from or corroborated by observable market data such as interest rates, yield curves, volatilities, credit risk, and prepayment speeds. Funds are primarily valued using the fund's net asset value, based on the fair value of the underlying securities. The Level 3 measurement international debt securities were primarily valued using an income approach based on discounted cash flows using yield curves derived from limited, observable market data.

Derivatives – The company's derivative financial instruments consist of interest rate contracts (swaps), foreign currency exchange contracts (futures, forwards and swaps), and cross-currency interest rate contracts (swaps). The portfolio is valued based on an income approach (discounted cash flow) using market observable inputs, including swap curves and both forward and spot exchange rates for currencies.

Financing receivables – Specific reserve impairments are based on the fair value of the collateral, which is measured using a market approach (appraisal values or realizable values). Inputs include a selection of realizable values (see Note 13).

Other receivables – The impairment was based on the expected realization of value-added tax receivables related to a closed factory operation (see Note 5).

Equipment on operating leases – net – The impairments are based on an income approach (discounted cash flow), using the contractual payments, plus an estimate of return rates and equipment sale price at lease maturity. Inputs include historical return rates and realized sales values (see Note 5).

Property and equipment – net – The impairments are measured at the lower of the carrying amount, or fair value. The valuations were based on cost and market approaches. The inputs include replacement cost estimates adjusted for physical deterioration and economic obsolescence, or quoted prices when available (see Note 5).

Investment in unconsolidated affiliates – Other than temporary impairments for investments are measured as the difference between the implied fair value or the estimated realization amount, and the carrying value. The fair value for publicly traded entities is the share price multiplied by the shares owned, or the estimated realization amount (see Note 5).

Other intangible assets – net – The impairment was measured at the remaining net book value of customer relationships related to a closed factory operation (see Note 5).

Other assets – The impairments of the matured operating lease inventory were measured at the fair value of that equipment. The valuations were based on a market approach. The inputs include sales of comparable assets. The impairment of the German lawn

mower business was measured at the estimated realizable value. Fair value was based on estimates of the final sale price (see Note 5).

27. DERIVATIVE INSTRUMENTS

Cash Flow Hedges

Certain interest rate and cross-currency interest rate contracts (swaps) were designated as hedges of future cash flows from borrowings. The total notional amounts of the receive-variable/pay-fixed interest rate contracts at October 31, 2021 and November 1, 2020 were $2,700 million and $1,550 million, respectively. During 2019, the company hedged a portion of its exposure to interest rate changes on a forecasted debt issuance using an interest rate contract with a term of 30 years. The hedge was terminated upon issuance of the debt, resulting in a fair value loss of $70 million. Fair value gains or losses on cash flow hedges were recorded in OCI and are subsequently reclassified into interest expense or other operating expenses (foreign currency exchange) in the same periods during which the hedged transactions impact earnings. These amounts offset the effects of interest rate or foreign currency exchange rate changes on the related borrowings. The cash flows from these contracts were recorded in operating activities in the statement of consolidated cash flows.

The amount of loss recorded in OCI at October 31, 2021 that is expected to be reclassified to interest expense or other operating expenses in the next twelve months if interest rates or exchange rates remain unchanged is approximately $4 million after-tax. There were no gains or losses reclassified from OCI to earnings based on the probability that the original forecasted transaction would not occur.

Fair Value Hedges

Certain interest rate contracts (swaps) were designated as fair value hedges of borrowings. The total notional amounts of the receive-fixed/pay-variable interest rate contracts at October 31, 2021 and November 1, 2020 were $8,043 million and $7,239 million, respectively. The fair value gains or losses on these contracts were generally offset by fair value gains or losses on the hedged items (fixed-rate borrowings) with both items recorded in interest expense.

The amounts recorded, at October 31, 2021 and November 1, 2020, in the consolidated balance sheet related to borrowings designated in fair value hedging relationships in millions of dollars follow:

	Carrying Amount of Hedged Item	Cumulative Increase (Decrease) of Fair Value Hedging Adjustments Included in the Carrying Amount		
		Active Hedging Relationships	Discontinued Relationships	Total
2021				
Long-term borrowings due within one year*	$ 189	$ 3	$ (2)	$ 1
Long-term borrowings	8,070	29	223	252
2020				
Long-term borrowings due within one year*	$ 155	$ 2	$ 3	$ 5
Long-term borrowings	7,725	543	122	665

* Presented in short-term borrowings.

Derivatives Not Designated as Hedging Instruments

The company has certain interest rate contracts (swaps), foreign currency exchange contracts (futures, forwards, and swaps), and cross-currency interest rate contracts (swaps), which were not formally designated as hedges. These derivatives were held as economic hedges for underlying interest rate or foreign currency exposures primarily for certain borrowings, purchases or sales of inventory, and below market retail financing programs. The total notional amounts of the interest rate swaps at October 31, 2021 and November 1, 2020 were $10,848 million and $8,514 million, the foreign currency exchange contracts were $7,584 million and $4,903 million, and the cross-currency interest rate contracts were $238 million and $113 million, respectively. The fair value gains or losses from the interest rate contracts were recognized currently in interest expense and the gains or losses from foreign currency exchange contracts in cost of sales or other operating expenses, generally offsetting over time the expenses on the exposures being hedged. The cash flows from these non-designated contracts were recorded in operating activities in the statement of consolidated cash flows.

Fair values of derivative instruments in the consolidated balance sheet at October 31, 2021 and November 1, 2020 in millions of dollars follow:

	2021	2020
Other Assets		
Designated as hedging instruments:		
Interest rate contracts	$ 166	$ 586
Not designated as hedging instruments:		
Interest rate contracts	73	83
Foreign exchange contracts	31	48
Cross-currency interest rate contracts	5	8
Total not designated	109	139
Total derivative assets	$ 275	$ 725
Accounts Payable and Accrued Expenses		
Designated as hedging instruments:		
Interest rate contracts	$ 99	$ 14
Not designated as hedging instruments:		
Interest rate contracts	33	74
Foreign exchange contracts	94	26
Cross-currency interest rate contracts	2	1
Total not designated	129	101
Total derivative liabilities	$ 228	$ 115

The classification and gains (losses) including accrued interest expense related to derivative instruments on the statement of consolidated income consisted of the following in millions of dollars:

	2021	2020	2019
Fair Value Hedges			
Interest rate contracts – Interest expense	$ (236)	$ 496	$ 589
Cash Flow Hedges			
Recognized in OCI:			
Interest rate contracts – OCI (pretax)	8	(18)	(92)
Reclassified from OCI:			
Interest rate contracts – Interest expense	(13)	(21)	5
Not Designated as Hedges			
Interest rate contracts – Net sales	$ 13	$ (23)	$ (23)
Interest rate contracts – Interest expense*	14	(2)	(32)
Foreign exchange contracts – Cost of sales	(101)	93	(18)
Foreign exchange contracts – Other operating expenses*	(262)	122	97
Total not designated	$ (336)	$ 190	$ 24

* Includes interest and foreign exchange gains (losses) from cross-currency interest rate contracts.

Counterparty Risk and Collateral

Derivative instruments are subject to significant concentrations of credit risk to the banking sector. The company manages individual counterparty exposure by setting limits that consider the credit rating of the counterparty, the credit default swap spread of the counterparty, and other financial commitments and exposures between the company and the counterparty banks. All interest rate derivatives are transacted under International Swaps and Derivatives Association (ISDA) documentation. Some of these agreements include credit support provisions. Each master agreement permits the net settlement of amounts owed in the event of default or termination.

Certain of the company's derivative agreements contain credit support provisions that may require the company to post collateral based on the size of the net liability positions and credit ratings. The aggregate fair value of all derivatives with credit-risk-related contingent features that were in a net liability position at October 31, 2021 and November 1, 2020, was $135 million and $89 million, respectively. In accordance with the limits established in these agreements, the company posted no cash collateral at October 31, 2021 or November 1, 2020. In addition, the company paid $8 million of collateral either in cash or pledged securities that was outstanding at both October 31, 2021 and November 1, 2020 to participate in an international futures market to hedge currency exposure, not included in the table below.

Derivatives are recorded without offsetting for netting arrangements or collateral. The impact on the derivative assets and liabilities related to netting arrangements and collateral at October 31, 2021 and November 1, 2020 in millions of dollars follows:

	Gross Amounts Recognized	Netting Arrangements	Collateral	Net Amount
2021				
Assets	$ 275	$ (105)		$ 170
Liabilities	228	(105)	$ (5)	118
2020				
Assets	$ 725	$ (93)	$ (274)	$ 358
Liabilities	115	(93)		22

28. SEGMENT AND GEOGRAPHIC AREA DATA

In fiscal year 2021, the company implemented a new operating model and reporting structure. With this change, the company's agriculture and turf operations were divided into two new segments: production and precision agriculture and small agriculture and turf. There were no changes to the construction and forestry and financial services segments. This presentation is consistent with how the chief operating decision maker assesses the performance of the segments and makes decisions about resource allocations. The company's operations are presently organized and reported in four business segments described as follows:

The production and precision agriculture segment defines, develops, and delivers global equipment and technology solutions to unlock customer value for production-scale growers of large grains, small grains, cotton, and sugar. Main products include large and certain mid-size tractors, combines, cotton pickers, sugarcane harvesters and loaders, and soil preparation, seeding, application and crop care equipment.

The small agriculture and turf segment defines, develops, and delivers global equipment and technology solutions to unlock customer value for dairy and livestock producers, high-value crop producers, and turf and utility customers. The segment's primary products include certain mid-size and small tractors, as well as hay and forage equipment, riding and commercial lawn equipment, golf course equipment, and utility vehicles.

The construction and forestry segment defines, develops, and delivers a broad range of machines and technology solutions organized along the earthmoving, forestry, and roadbuilding production systems. The segment's primary products include crawler dozers and loaders, four-wheel-drive loaders, excavators, skid-steer loaders, milling machines, and log harvesters.

The products and services produced by the segments above are marketed primarily through independent retail dealer networks and major retail outlets, and, as it relates to roadbuilding products in certain markets outside the U.S. and Canada, primarily through company-owned sales and service subsidiaries.

The financial services segment primarily finances sales and leases by John Deere dealers of new and used production and precision agriculture equipment, small agriculture and turf equipment, and construction and forestry equipment. In addition, the financial services segment provides wholesale financing to dealers of the foregoing equipment, finances retail revolving charge accounts, and offers extended equipment warranties.

Because of integrated manufacturing operations and common administrative and marketing support, a substantial number of allocations must be made to determine operating segment and geographic area data. Intersegment sales and revenues represent sales of components and finance charges, which are generally based on market prices.

At the beginning of fiscal year 2021, the company reclassified goodwill from identifiable operating segment assets to corporate assets for segment reporting, as goodwill is no longer considered in evaluating the operating performance of the segments. Prior period amounts have been restated for a consistent presentation.

Information relating to operations by operating segment in millions of dollars follows for the years ended October 31, 2021, November 1, 2020 and November 3, 2019. In addition to the following unaffiliated sales and revenues by segment, intersegment sales and revenues in 2021, 2020, and 2019 were as follows: production and precision agriculture net sales of $27 million, $22 million, and $31 million; small agriculture and turf net sales of $11 million, $2 million, and $3 million; construction and forestry had no intersegment sales in 2021, $1 million in 2020, and $1 million in 2019; and financial services revenues of $246 million, $278 million, and $348 million, respectively.

OPERATING SEGMENTS	2021	2020	2019
Net sales and revenues			
Unaffiliated customers:			
Production & precision ag net sales	$ 16,509	$ 12,962	$ 13,364
Small ag & turf net sales	11,860	9,363	10,302
Construction & forestry net sales	11,368	8,947	11,220
Financial services revenues	3,548	3,589	3,621
Other revenues*	739	679	751
Total	$44,024	$ 35,540	$39,258

* Other revenues are primarily the equipment operations' revenues for finance and interest income, and other income.

OPERATING SEGMENTS	2021	2020	2019
Operating profit			
Production & precision ag	$ 3,334	$ 1,969	$ 1,729
Small ag & turf	2,045	1,000	777
Construction & forestry	1,489	590	1,215
Financial services*	1,144	746	694
Total operating profit*	8,012	4,305	4,415
Interest income	82	62	85
Interest expense	(368)	(329)	(256)
Foreign exchange gains (losses) from equipment operations' financing activities	(45)	17	(22)
Pension and OPEB benefit (cost), excluding service cost component	183	31	67
Corporate expenses – net	(241)	(251)	(180)
Income taxes	(1,658)	(1,082)	(852)
Total	(2,047)	(1,552)	(1,158)
Net income	5,965	2,753	3,257
Less: Net income attributable to noncontrolling interests	2	2	4
Net income attributable to Deere & Company	$ 5,963	$ 2,751	$ 3,253

* Operating profit of the financial services business segment includes the effect of its interest expense and foreign exchange gains or losses.

Interest income*			
Production & precision ag	$ 21	$ 22	$ 16
Small ag & turf	21	16	6
Construction & forestry	10	12	11
Financial services	1,999	2,122	2,316
Corporate	82	62	85
Intercompany	(279)	(272)	(360)
Total	$ 1,854	$ 1,962	$ 2,074

* Does not include finance rental income for equipment on operating leases.

Interest expense			
Production & precision ag	$ 84	$ 76	$ 87
Small ag & turf	87	111	158
Construction & forestry	46	61	91
Financial services	687	942	1,234
Corporate	368	329	256
Intercompany	(279)	(272)	(360)
Total	$ 993	$ 1,247	$ 1,466

Depreciation* and amortization expense			
Production & precision ag	$ 495	$ 480	$ 475
Small ag & turf	245	247	248
Construction & forestry	303	289	292
Financial services	1,140	1,227	1,135
Intercompany	(133)	(125)	(131)
Total	$ 2,050	$ 2,118	$ 2,019

* Includes depreciation for equipment on operating leases.

(continued)

OPERATING SEGMENTS	2021	2020	2019
Equity in income (loss) of unconsolidated affiliates			
Small ag & turf	$ 2	$ 2	$ 6
Construction & forestry	16	(52)	14
Financial services	3	2	1
Total	$ 21	$ (48)	$ 21
Identifiable operating assets			
Production & precision ag	$ 7,021	$ 5,708	$ 6,149
Small ag & turf	3,959	3,266	3,656
Construction & forestry	6,457	6,322	7,044
Financial services	51,624	48,719	48,483
Corporate*	15,053	11,076	7,679
Total	$ 84,114	$ 75,091	$ 73,011
Capital additions			
Production & precision ag	$ 458	$ 431	$ 595
Small ag & turf	253	223	264
Construction & forestry	183	157	245
Financial services	3	4	3
Total	$ 897	$ 815	$ 1,107
Investments in unconsolidated affiliates			
Production & precision ag		$ 1	$ 1
Small ag & turf	$ 31	29	27
Construction & forestry	122	144	171
Financial services	22	19	16
Total	$ 175	$ 193	$ 215

* Corporate assets are primarily the equipment operations' retirement benefits, deferred income tax assets, goodwill, marketable securities, and cash and cash equivalents.

The company views and has historically disclosed its operations as consisting of two geographic areas (the U.S. and Canada, and outside the U.S. and Canada) for net sales and revenues and operating profit shown below in millions of dollars. No individual foreign country's net sales and revenues were material for disclosure purposes. For property and equipment, a material amount does reside in the country of Germany, separately disclosed below in millions of dollars.

GEOGRAPHIC AREAS	2021	2020	2019
Net sales and revenues			
Unaffiliated customers:			
U.S. and Canada	$25,829	$ 21,386	$23,746
Outside U.S. and Canada	18,195	14,154	15,512
Total	$44,024	$35,540	$39,258
Operating profit			
U.S. and Canada	$ 4,774	$ 2,775	$ 2,841
Outside U.S. and Canada	3,238	1,530	1,574
Total	$ 8,012	$ 4,305	$ 4,415
Property and equipment			
U.S. and Canada	$ 3,164	$ 3,178	$ 3,197
Germany	1,096	1,113	1,137
Other countries	1,560	1,526	1,639
Total	$ 5,820	$ 5,817	$ 5,973

29. SUBSEQUENT EVENTS

In November 2021, the company renewed its outstanding bank conduit facility revolving credit agreement, which reduced the facility capacity from $2,000 million to $1,000 million. As a result of the facility renewal at a reduced capacity, the company repurchased $511 million of outstanding short-term securitization borrowings in November 2021, in addition to the normal monthly collection of payments on the retail notes.

On November 17, 2021, employees represented by the UAW approved a new collective bargaining agreement and terminated a strike that began on October 14, 2021. The agreement, which has a term of six years, covers the wages, hours, benefits, and other terms and conditions of employment for the company's UAW-represented employees at 14 U.S. facilities. The labor agreement includes a lump sum ratification bonus payment of $8,500 per eligible employee, totaling $90 million, and an immediate wage increase of 10 percent plus further wage increases over the term of the contract. The lump sum payment will be expensed in the first quarter of 2022. The company remeasured the U.S. hourly pension plan as of November 30, 2021 due to the new collective bargaining agreement, which decreased the plan's funded status by approximately $495 million and will increase pension expense in 2022 by nearly $80 million. The U.S. hourly pension plan changes will continue to impact pension expense through the remaining term of the contract as well as years beyond the current contract as employees continue to accumulate years of service. The UAW strike is expected to have an adverse effect on the company's results of operations for the three months ending January 30, 2022 as a result of reduced production and shipments.

On November 30, 2021, the company voluntarily contributed $1,000 million to a U.S. OPEB plan. The expected return on this contribution was included in the 2022 pension and OPEB cost estimates in the MD&A.

A quarterly dividend of $1.05 per share was declared at the Board of Directors meeting on December 8, 2021, payable on February 8, 2022 to stockholders of record on December 31, 2021.

On December 14, 2021, the company announced a definitive agreement to acquire majority ownership in Kreisel Electric, Inc. (Kreisel), a battery technology provider based in Austria. Kreisel has differentiated battery technology for high-performance and off-highway applications as well as charging infrastructure offerings globally and across multiple end markets. This will provide Deere with the high-density battery technology necessary to optimally integrate and efficiently design vehicles and power trains while leveraging Kreisel's charging technology to build out infrastructure to enable global customer adoption. The transaction is expected to close in the first half of fiscal year 2022, subject to the receipt of certain required regulatory approvals and satisfaction of certain other customary closing conditions. Total cash consideration will be €221 million and paid out of cash on hand. Kreisel will be allocated amongst the company's production and precision agriculture, small agriculture and turf, and construction and forestry segments.

DEERE & COMPANY

SELECTED FINANCIAL DATA

(Dollars in millions except per share amounts)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net sales and revenues	$44,024	$ 35,540	$ 39,258	$ 37,358	$ 29,738	$ 26,644	$ 28,863	$ 36,067	$ 37,795	$ 36,157
Net sales	39,737	31,272	34,886	33,351	25,885	23,387	25,775	32,961	34,998	33,501
Finance and interest income	3,296	3,450	3,493	3,107	2,732	2,511	2,381	2,282	2,115	1,981
Research and development expenses	1,587	1,644	1,783	1,658	1,373	1,394	1,410	1,437	1,445	1,409
Selling, administrative and general expenses	3,383	3,477	3,551	3,455	3,098	2,791	2,868	3,266	3,558	3,369
Interest expense	993	1,247	1,466	1,204	899	764	680	664	741	783
Net income*	5,963	2,751	3,253	2,368	2,159	1,524	1,940	3,162	3,537	3,065
Return on net sales	15.0%	8.8%	9.3%	7.1%	8.3%	6.5%	7.5%	9.6%	10.1%	9.1%
Return on beginning Deere & Company stockholders' equity	46.1%	24.1%	28.8%	24.8%	33.1%	22.6%	21.4%	30.8%	51.7%	45.1%
Comprehensive income*	8,963	2,819	2,081	3,222	3,221	627	994	2,072	5,416	2,171
Net income per share – basic*	$ 19.14	$ 8.77	$ 10.28	$ 7.34	$ 6.76	$ 4.83	$ 5.81	$ 8.71	$ 9.18	$ 7.72
– diluted*	18.99	8.69	10.15	7.24	6.68	4.81	5.77	8.63	9.09	7.63
Dividends declared per share	3.61	3.04	3.04	2.58	2.40	2.40	2.40	2.22	1.99	1.79
Dividends paid per share	3.32	3.04	2.97	2.49	2.40	2.40	2.40	2.13	1.94	1.74
Average number of common shares outstanding (in millions) – basic	311.6	313.5	316.5	322.6	319.5	315.2	333.6	363.0	385.3	397.1
– diluted	314.0	316.6	320.6	327.3	323.3	316.6	336.0	366.1	389.2	401.5
Total assets	$ 84,114	$ 75,091	$ 73,011	$ 70,108	$ 65,786	$ 57,918	$ 57,883	$ 61,267	$ 59,454	$ 56,193
Trade accounts and notes receivable – net	4,208	4,171	5,230	5,004	3,925	3,011	3,051	3,278	3,758	3,799
Financing receivables – net	33,799	29,750	29,195	27,054	25,104	23,702	24,809	27,422	25,633	22,159
Financing receivables securitized – net	4,659	4,703	4,383	4,022	4,159	5,127	4,835	4,602	4,153	3,618
Equipment on operating leases – net	6,988	7,298	7,567	7,165	6,594	5,902	4,970	4,016	3,152	2,528
Inventories	6,781	4,999	5,975	6,149	3,904	3,341	3,817	4,210	4,935	5,170
Property and equipment – net	5,820	5,817	5,973	5,868	5,068	5,171	5,181	5,578	5,467	5,012
Short-term borrowings:										
Equipment operations	1,509	292	987	1,434	375	249	464	434	1,080	425
Financial services	9,410	8,290	9,797	9,628	9,660	6,662	7,961	7,584	7,707	5,966
Total	10,919	8,582	10,784	11,062	10,035	6,911	8,425	8,018	8,787	6,391
Short-term securitization borrowings:										
Equipment operations	10	26	44	75						
Financial services	4,595	4,656	4,277	3,882	4,119	4,998	4,585	4,553	4,103	3,569
Total	4,605	4,682	4,321	3,957	4,119	4,998	4,585	4,553	4,103	3,569
Long-term borrowings:										
Equipment operations	8,915	10,124	5,415	4,714	5,491	4,565	4,439	4,619	4,845	5,418
Financial services	23,973	22,610	24,814	22,523	20,400	19,138	19,336	19,699	16,673	16,970
Total	32,888	32,734	30,229	27,237	25,891	23,703	23,775	24,318	21,518	22,388
Total Deere & Company stockholders' equity	18,431	12,937	11,413	11,288	9,557	6,520	6,743	9,063	10,266	6,842
Book value per share*	$ 59.83	$ 41.25	$ 36.45	$ 35.45	$ 29.70	$ 20.71	$ 21.29	$ 26.23	$ 27.46	$ 17.64
Capital expenditures	$ 867	$ 762	$ 1,084	$ 969	$ 586	$ 668	$ 655	$ 1,004	$ 1,132	$ 1,360
Number of employees (at year end)	75,550	69,634	73,489	74,413	60,476	56,767	57,180	59,623	67,044	66,859

* Attributable to Deere & Company.

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